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Fifth Session—Twenty-fourth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-48, An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwek to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

and

Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation.

The Honourable A. K. HUGESSEN,
Chairman.

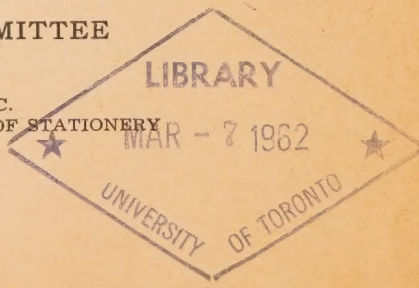
WEDNESDAY, FEBRUARY 21, 1962.

WITNESSES:

Hon. Leon Balcer, Minister of Transport; Mr. Donald F. Purves, Chief of Development, C.N.R., and Mr. Graham Macdougall, Q.C., General Counsel, C.N.R.

REPORTS OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962



THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Hardy	Paterson
Bishop	Hayden	Pearson
Blois	Hollett	Power
Bouffard	Horner	Quart
Bradley	Hugessen	Reid
Brunt	Isnor	Robertson
Buchanan	Jodoin	Roebuck
Campbell	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax</i>	Lambert	Smith (<i>Queens-</i>
North)	Lefrançois	Shelburne)
Connolly (<i>Ottawa</i>	*Macdonald (<i>Brantford</i>)	Stambaugh
West)	Macdonald (<i>Cape</i>	Taylor (<i>Westmorland</i>)
Dessureault	Breton)	Thorvaldson
Dupuis	McGrand	Veniot
Emerson	McKeen	Vien
Farris	McLean	Woodrow—50.
Gershaw	Méthot	

50 members

(Quorum 9)

**Ex officio member.*



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ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 20, 1962.

A Message was brought from the House of Commons by their Clerk with a Bill C-63, intituled: "An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,

The Honourable Senator Buchanan moved, seconded by the Honourable Senator Blois, that the Bill be read the second time now.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Buchanan moved, seconded by the Honourable Senator Blois, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—
Resolved in the affirmative.

A Message was brought from the House of Commons by their Clerk with a Bill C-48, intituled: "An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,

The Honourable Senator Pearson moved, seconded by the Honourable Senator Blois, that the Bill be read the second time now.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Pearson moved, seconded by the Honourable Senator Buchanan, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNeill,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 21, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 11.00 A.M.

Present: The Honourable Senators Hugessen, *Chairman*; Aseltine, Beaubien (*Provencher*), Bouffard, Bradley, Brunt, Buchanan, Connolly (*Halifax North*), Dupuis, Farris, Gershaw, Gladstone, Gouin, Hollett, Horner, Lefrançois, Macdonald (*Brantford*), McGrand, Methot, Molson, Paterson, Pearson, Power, Quart, Reid, Stambaugh, Taylor (*Westmorland*) and Woodrow—28.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill C-63, An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation, was read and considered.

On motion of the Honourable Senator Pearson, seconded by the Honourable Senator Buchanan, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in explanation of the Bill were: The Honourable Leon Balcer, Minister of Transport; Mr. Donald F. Purves, Chief of Development, C.N.R., and Mr. Graham Macdougall, Q.C., General Counsel, C.N.R.

After discussion and on Motion of the Honourable Senator Stambaugh, seconded by the Honourable Senator Brunt, to strike out clause 8 of the Bill, the Committee divided as follows:

Yeas, 19; Nays, 7.

The Motion was declared carried in the affirmative.

It was resolved to report the said Bill with the following amendment:

Page 3, lines 16 to 20 both inclusive: Strike out clause 8.

The Committee then proceeded to the consideration of Bill C-48, An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba.

On Motion of the Honourable Senator Pearson, seconded by the Honourable Senator Buchanan, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in explanation of the Bill were: The Honourable Leon Balcer, Minister of Transport; Mr. Donald F. Purves, Chief of Development, C.N.R. and Mr. Graham Macdougall, Q.C., General Counsel, C.N.R.

It was resolved to Report the said Bill without any amendment. At 12.30 P.M. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

WEDNESDAY, February 21, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-63, intituled: "An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation" and Bill C-48, intituled: "An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwek to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba", report as follows:—

Your Committee recommend that authority be granted for the printing of 800 copies in English and 200 copies in French of their proceedings on the said Bills.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

WEDNESDAY, February 21, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-63, intituled: "An Act respecting the Construction of a line of railway in the Province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation", have in obedience to the order of reference of February 20th, 1962, examined the said Bill and now report the same with the following amendment:—

Page 3, lines 16 to 20th both inclusive: Strike out clause 8.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

WEDNESDAY, February 21, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-48, intituled: "An Act to amend an Act respecting the Construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the Purchase by Canadian National Railway Company from The International Nickel Company of Canada, Limited, of a line of railway from Sipiwek to a point on Burntwood River near Mystery Lake, all in the Province of Manitoba", have in obedience to the order of reference of February 20, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Wednesday, February 21, 1962.

The Standing Committee on Transport and Communications to which was referred Bill C-63, an act respecting the construction of a line of railway in the province of Alberta by Canadian National Railway Company from Whitecourt, Alberta, in a westerly direction for a distance of approximately 23.2 miles to the property of Pan American Petroleum Corporation; and Bill C-48, to amend an act respecting the construction of a line of railway by Canadian National Railway Company from Optic Lake to Chisel Lake, and the purchase by Canadian National Railway Company from the International Nickel Company of Canada, Limited, of a line of railway from Sipiwesk to a point on Burntwood River near Mystery Lake, all in the province of Manitoba, met this day at 11 a.m.

Senator A. K. Hugessen (Chairman), in the Chair.

On a motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bills.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 in French of the committee's proceedings on the bills be printed.

The CHAIRMAN: Honourable senators, this being the first meeting of the Standing Committee on Transport and Communications this session, may I be allowed to welcome all senators, particularly two senators who are newly appointed to the committee, namely, Senator Quart from Quebec, and Senator Hollett from Newfoundland.

Will the meeting please come to order? We have two bills to consider, the first being Bill C-63, respecting the construction of a railway line in Alberta by Canadian National Railway Company, and Bill C-48, a railway line by Canadian National Railway Company from Optic Lake to Chisel Lake. Honourable senators will recall that these two bills were considered on second reading in the Senate yesterday evening. We considered, first, Bill C-63 and, secondly, Bill C-48, and it has been suggested we proceed in that order this morning before the committee.

Some hon. SENATORS: Agreed.

The CHAIRMAN: The two witnesses whose names have been given to me are Mr. Donald F. Purves, Chief of Development, Canadian National Railways, and Mr. Graham Macdougall, Q.C., General Solicitor, Canadian National Railways.

Senator ASELTINE: We are honoured in having the Minister of Transport with us today. He has been with us before, and we welcome him back as often as he wishes to come.

The CHAIRMAN: Mr. Minister, do you wish to speak on these matters, starting with Bill C-63, the Whitecourt, Alberta bill?

Hon. Mr. BALCER: I have a short statement, and if you don't mind, perhaps I could read this explanation. I also have with me the two gentlemen you have mentioned.

Honourable Léon BALCER, Minister of Transport: Honourable senators: Bill C-63 provides for the construction of a 23-mile branch line from Whitecourt, Alberta, where the railway's existing Sangudo Subdivision presently ends, northwest to the property of Pan American Petroleum Corporation in the Windfall gas field area. At that point a plant is now nearing completion which will produce sulphur from natural gas. This plant will be operated by Texas Gulf Sulphur Company, Inc. under an agreement with Pan American Petroleum Corporation.

The salient facts from the railway point of view are that the cost of this 23 mile line is estimated at \$2,300,000. An agreement has been concluded between the railway company and the industry, providing for a guarantee of traffic from the industry for a period of 25 years, with provision that if the guarantee is not met appropriate penalties will be paid to ensure that the company is not out of pocket in any way in its operation. In addition, as you know, the industry in this case has agreed to make a cash contribution toward the cost of constructing the line, which money will be used before any funds are drawn down under this legislation and will serve to reduce the overall cost of the line, which I have previously referred to.

The railway officers here will be glad to advise you about the economics of the proposal and the prospective traffic which they hope will accrue to the line.

The company has stated that the revenues which it will receive from the sulphur traffic will be sufficient to meet all expenses of operation and maintenance on the line and the cost of handling the traffic on the remainder of the system, as well as cover the interest and amortization of the railway's share of constructing the line, plus a reasonable surplus.

I am sure the bill will recommend itself to you as a splendid business proposition.

Thank you very much.

The CHAIRMAN: Any questions?

Senator REID: I am interested in knowing the quantity of sulphur that will be moved over the line. Can you give me some information on that?

Hon. Mr. BALCER: I am quite sure we have these figures. Perhaps Mr. Purves can give them.

Donald F. PURVES, Chief of Development, Canadian National Railway Company:

Senator REID: My question referred to the quantities of sulphur that will move over the line.

Mr. PURVES: I take it, senator, you were referring to quantities to be moved over the line. This is part of the traffic agreement we have negotiated with this firm, and if I may beg the indulgence of the committee, we are negotiating these agreements with firms constantly, I would like not to disclose on the record just the amounts they have guaranteed to ship over the line. It is quite a lot less than the production of the plant will be. We know the market situation of sulphur, and we have pressed for a traffic guarantee that can, we feel, be made by industry without strain, and we require a penalty per ton if they fall short. It is more than we have used in our estimates. If we disclose one figure on the public record we would have to disclose more figures and information, and I would not like to do so.

Senator REID: Where are the main markets?

Mr. PURVES: The main markets will be Australasia and the Orient. The Canadian market could not nearly take care of the total production we see coming up.

Senator BAIRD: Will most of the Canadian production go to the west?

Mr. PURVES: Most of it will go to the west. Some may go to the lakehead, but we expect most of it will go to the British Columbia coast and be exported from there.

Senator BRUNT: What about the Chicago market?

Mr. PURVES: I doubt if a great deal of it will go there. I think they would do much better going after an overseas market, but they are certainly not going to pass up any bets. For some years, perhaps all the way between five and ten years, we shall find a very difficult situation in world sulphur markets. Production will be in excess of demand. It is going to take a little time for demand to expand to the amount we expect. It will also take a little time for existing sources in Louisiana and Texas down at the Gulf to run down. These resources are being used up.

Senator BRUNT: What about the Mexican production, is that the stumbling block in the whole thing?

Mr. PURVES: I doubt it. I doubt if it is a stumbling block.

Senator BRUNT: Do you know what countries they propose to supply in Asia?

Mr. PURVES: No, I don't sir. They have made a pretty thorough market study. They do not know just how much progress they will make.

Senator PEARSON: Is there any main obstacle in the construction of this line outside of bridges?

Mr. PURVES: Just the bridge right across McLeod River at Whitecourt. It is not an obstacle; it is straightforward work. Once across the river we are on the old grade and will follow it for 19 miles, and then go southwest another four miles.

Senator BRUNT: Will the entire production of this plant be moved by the railroad or partly by truck?

Mr. PURVES: The traffic guarantee is to move it entirely over the railroad with some leeway for trucking to any nearby plant that does not happen to be directly served by railway. If such a plant should ever develop, we thought it only fair to give the industry that much leeway.

Senator BRUNT: Well, is there now in existence a good road from this plant?

Mr. PURVES: No, sir?

Senator REID: Can some be shipped out to other parts by pipeline?

Mr. PURVES: There has been a good deal of thought given to that. We had explored every other way of handling this sulphur before going into negotiation with the company. The difficulty with pipeline operation in sulphur is that there is quite a narrow temperature band where the sulphur is molten and will move easily. Below that temperature range sulphur begins to solidify and above it becomes viscose, like molasses. In this area we have extreme ranges of temperature. This is a 23-mile long stretch of country across and we cannot see any other way to move this material other than by a rail line.

Senator PEARSON: Is there any chance of further revenue being obtained other than from this movement of sulphur?

Mr. PURVES: There will be some inbound chemicals and supplies for the sulphur plant itself, and undoubtedly there will be further expansion in this oil and gas field, and there will be incoming freight, builders' supplies and materials. There may also be some movement out of pulpwood but we did not take account of that in the economics. We figure that if anything of that kind developed it would be a bonus.

Senator MACDONALD (*Brantford*): Is this rail line being built as a joint effort by the province and the dominion?

Mr. PURVES: No, Senator Macdonald, it is entirely Canadian National.

Senator MACDONALD (*Brantford*): The reason I ask that question is that I am asked to make representations on behalf of the industrial representative at Whitecourt, Edson and Hinton. May I be permitted to read what he says in a telegram:

Federal versus provincial investment in the proposed rail link Whitecourt to Windfall is not influenced by economics. This proposal involves two hundred and forty miles dead end rail run. Alternative forty mile rail line from Edson to Windfall injecting this valuable tonnage to the main line at Edson for shipment East or West is an obvious economic fact. Will be pleased to furnish relevant facts.

Industrial Representative
Whitecourt Edson Hinton

Mr. PURVES: Really what he should be comparing is 24 miles of new construction—23.2 miles to be precise—against 40 miles of new construction going down to Edson. We looked at that because we would like to have had that on the main line but it is not an economic proposition with the volume of traffic offering.

Senator MACDONALD (*Brantford*): You say you have given full consideration to the proposal set forth in this wire?

Mr. PURVES: Yes.

The CHAIRMAN: I suppose one of the reasons why you hit on this route is because you have 19 miles of an old roadway already constructed?

Mr. PURVES: Yes, Mr Chairman.

Senator BRUNT: This is the road the company wanted to follow, isn't it?

Mr. PURVES: The company was interested in getting the material to market as cheaply as possible.

Senator STAMBAUGH: Mr. Chairman, just to clarify the telegram that Senator Macdonald (*Brantford*) read and make it a little clearer, what he is referring to is that this will be a haul all the way from Whitecourt to Edmonton and back to Edson, a total of 240 miles.

Mr. PURVES: Yes, that is right as far as the haul goes. The big factor is the new track we would have to build and the amount of new capital we would have to service.

Senator MACDONALD (*Brantford*): Is the line now built from Edmonton to Whitecourt?

Mr. PURVES: Yes.

Senator MACDONALD (*Brantford*): And the Edson people prefer that the new line should come from Windfall down?

Mr. PURVES: Yes, down to here.

Senator MACDONALD (*Brantford*): You say you would prefer that yourself?

Mr. PURVES: We would if the economics had worked out that way because it puts us directly on the main line.

Senator MACDONALD (*Brantford*): And that would have done away with the necessity of building a line from Edmonton to Whitecourt.

Mr. PURVES: No, that is built.

Senator PATERSON: When will the plant be in production?

Mr. PURVES: The plant itself will be in production in a matter of months but the line we hope to have ready in March, 1963.

Senator GERSHAW: Can producers of sulphur in that area possibly compete with producers of sulphur in Pincher Creek area?

Mr. PURVES: The only way they can compete is that the two railways of Canada have undertaken to put them all on the same basis as far as transportation is concerned.

Senator BRUNT: You mean they will all pay the same freight rates?

Mr. PURVES: Yes.

Senator MACDONALD (*Brantford*): Mr. Purves, you say the representations made in the telegram I read were fully considered before deciding on the route proposed in this bill?

Mr. PURVES: That is correct. You have my assurance on that, I did the economics myself.

Senator HOLLETT: Is there any evidence of an unlimited supply of sulphur in the gas there?

Mr. PURVES: We think the field is probably good for 25 or 30 years and I would expect that by the time the plant has run out of natural gas that there will be sulphur piled on the ground to be shipped out. It is going to take a good many years for the world market in sulphur to use up what can be supplied. Undoubtedly we will have an increasing demand as countries become more and more industrialized, we will have an increasing demand as more sulphuric acid is required for the manufacture of fertilizers, and we are going to have existing supplies of sulphur on the Gulf of Mexico continuing to run down. The sulphur deposits now being mined by the Fraser process are not going to last for ever and some of those sulphur domes are getting worked out.

Senator BRUNT: Is it a fact that sulphur can be stored indefinitely right out in the open—you just leave it in a pile?

Mr. PURVES: Correct. It does not weather, but it does cake.

Senator BRUNT: But the caking can be taken care of by grinding?

Mr. PURVES: Yes.

Senator MACDONALD (*Brantford*): Something like wheat?

Senator ASELTINE: What is the topography of the country that the railway runs through?

Mr. PURVES: You go across a bridge at Whitecourt and on the other side we are on a gravel bench that follows along the toe of a slope for some distance.

Senator ASELTINE: Is it agricultural land?

Mr. PURVES: There could be some; we do not expect too much from it. There is nice agricultural country west of the McLeod River, but I could not see anything around here (indicating on map and traversed by rail line). There is just too much gravel bench.

Senator MACDONALD (*Brantford*): Are there people living in that area?

Mr. PURVES: Not to any extent but there are some people living along the highway on the other side of the Athabasca River.

Senator REID: Are you near the Peace River country?

Mr. PURVES: No, it is not on this map.

The CHAIRMAN: Are there any other questions to Mr. Purves?

Senator BRUNT: Are we going to go through the bill section by section?

The CHAIRMAN: The only section on which there was any controversy on second reading in the Senate was on section 8, about new fencing. I wonder whether we should pass the bill, except section 8, and then discuss section 8. Wouldn't that be the sensible thing to do? I don't think there is anything controversial on any of the other sections.

Shall we consider all the sections carried except section 8, which deals with fencing?

Hon. SENATORS: Agreed.

Senator STAMBAUGH, you have some remarks to make on section 8?

Senator STAMBAUGH: Mr. Chairman, I am certainly not opposing this extension of the railroad, in fact I am heartily in favour of it. Neither am I endeavouring to make the C.N.R. build a fence where there is no necessity of building one. I don't want them to have any expenditure they shouldn't have. On the other hand, neither do I want to exempt them by statute for a liability I think they should accept. I think they should take the present act as it is and that of necessity they must fence their right-of-way or protect their right-of-way. If in their opinion it is not necessary to build a fence all they have to do is appear before the Board of Transport Commissioners and convince that Board there is no necessity for a fence. If they are successful in doing so the Board will exempt them from building that fence, and that is all. So, by deleting that clause we bring them under the act as it is at present and if there is no necessity for a fence they can get an order from the Board of Transport Commissioners exempting them from building it. It is just as simple as that.

The CHAIRMAN: I should say to the committee that I have discussed this matter with the Law Clerk who has drawn my attention to the relative section of the Railway Act, section 277, and subsection (1) of that section reads:

The company shall erect and maintain upon the railway

- (a) fences of a minimum height of four feet six inches on each side of the railway;
- (b) swing gates in such fences at farm crossings of the minimum height aforesaid, with proper hinges and fastenings; and
- (c) cattle-guards, on each side of the highway, at every highway crossing at rail level with the railway.

And the subsection (4) says:

The Board may, upon application made to it by the company, relieve the company, temporarily or otherwise, from erecting and maintaining such fences, gates and cattle-guards where the railway passes through any locality in which, in the opinion of the Board, such works and structures are unnecessary.

So, the legal effect of striking section 8 out of the bill would be to leave the company under the provisions of section 277 of the Railway Act, under which they could apply to the Board of Transport Commissioners for permission not to build these fences.

Senator BUCHANAN: Mr. Chairman, didn't we approve this very clause in this committee in connection with the bill for the railway up to Pine Point?

Senator BRUNT: We may have but that is no reason for automatically approving of it here. Perhaps we were wrong in that legislation.

Senator BUCHANAN: We should be consistent, at least.

Senator REID: Is this something new?

The CHAIRMAN: To answer you, Senator Reid, as my recollection goes we have on one or two occasions passed a section of this kind in cases where a railway was going through completely unorganized virgin territory where there was no settlement or any possibility of one. Whether that is the case in this particular section of the country, I do not know.

Senator BUCHANAN: The Pine Point line goes through a much larger area where there is apt to be farming.

Senator BRUNT: Then the clause shouldn't be in there.

Senator STAMBAUGH: Two wrongs do not make a right.

Senator BRUNT: No.

Senator MACDONALD (*Brantford*): Perhaps we had better amend the other legislation.

Senator PEARSON: If it will never be an agricultural area I cannot see any reason for taking this clause out.

Senator BRUNT: Mr. Purves did not say that. He said there was a possibility there would be.

Senator PEARSON: He said there was nothing but gravel.

The CHAIRMAN: I think we should hear from counsel for the C.N.R. as to what the Company's views are on this.

Mr. Graham MACDOUGALL, Q.C., General Solicitor, C.N.R.: This matter has been considered very carefully and it was not put in the bill as an after-through or without a good deal of consideration. Ordinarily this particular clause would not appear in a railway bill for the reason that if there should be a necessity for exempting the railway from fencing in any particular area the provisions of the Railway Act are available. The only time when this clause is embodied in a bill of this kind is when a railway is being constructed in basically unorganized territory in northern Canada. It was included in the Pine Point bill for that reason, and it is included in this bill for the same reason. We feel there is basically not much likelihood of settlement along this line.

Senator BUCHANAN: There will be on the Pine Point line. I am familiar with that area north of the Peace River.

Mr. MACDOUGALL: You are quite right, sir, but nevertheless I would like to explain to honourable senators that the Railway Act provides two basic things about fences. One is the section which the Chairman spoke of, which is a declaration that the railway shall fence its right-of-way, and without something like this in the bill there would be the obligation to fence the right-of-way unless relieved from doing it. There is also a provision dealing with the obligation on the part of the railway for cattle getting upon the railway. The fences are there basically to keep cattle off the railway for our own protection so we will not have claims for cattle killed, but the Railway Act does provide strict liability on the company with reference to injured cattle.

The CHAIRMAN: Which section is that?

Mr. MACDOUGALL: Section 393.

Senator MACDONALD (*Brantford*): That is with a fence or without a fence?

Mr. MACDOUGALL: With a fence or without a fence. Clause 8 in the bill will not relieve the railway from liability where cattle are killed. Therefore, the obligation is on us, for our own protection, to fence the areas where they should be erected, and in connection with both the Great Slave Lake line and this line, where fences are required to protect us from this liability for cattle we will build them, but in other areas where judgement tells us that fences are not required and that money would be unnecessarily spent, we will not build them.

Senator HOLLETT: You would if the Board of Transport Commissioners compelled you to.

Mr. MACDOUGALL: Yes. This is a vary simple procedure. A farmer who considers that the railway has neglected to fence in his area has only to write in his own hand to the Board of Transport Commissioners and the Board will

have one of its local inspectors check on the matter, report upon it and contact the railway. I have seen many, many of those cases where just a few letters have been written and the matter is dealt with and the fencing is undertaken. It does not require the farmer to have counsel or to appear before the Board or go into a lot of rigmarole. The handling of cases where fences have run down are dealt with day by day as a matter of course by the Board, so we don't feel this imposes an undue obligation on anyone who feels aggrieved that the land adjoining his property has not been fenced. We propose to fence wherever we think a fence is required but we only ask that this provision should be put in because we think it is reasonable in a bill of this kind where we are building in an unorganized territory in a frontier of Canada.

Senator MACDONALD (*Brantford*): The last two lines of section 8 of the bill relieve you from liability for any fencing.

Mr. MACDOUGALL: All that does is to relieve us from what is known as an obligation for statutory negligence which we would have if we did not have the fence built according to section 277, which provides we must build it. It does not relieve us from liability under section 393.

Senator MACDONALD (*Brantford*): The wording at the end of section 8 of the bill is:

... and is not liable in respect of any loss or injury sustained by reason only of the absence of fencing.

There is no limit as to the loss or injury. It says "any loss or injury".

Senator FARRIS: Mr. Chairman, would you read the applicable section in the Railway Act.

Senator BRUNT: Section 393.

The CHAIRMAN: Section 393 is a long one. It is headed "Cattle Getting on Railway". Subsection (1) reads:

When any horses, sheep, swine or other cattle, whether at large or not, get upon the lands of the company and by reason thereof damage is caused to or by such animal, the person suffering such damage is entitled to recover the amount of such damage against the company in any action in any court of competent jurisdiction unless the company establishes that such damage was caused by reason of. . .

And the headings are set out: Gates not kept closed; Gates wilfully left open; Fence taken down; Animals turned on railway; Animals ridden, etc., on railway.

Senator DUPUIS: Do you not think it is easier for the C.N.R. to make application to the Board of Transport Commissioners than it is for an individual farmer? The C.N.R. is a powerful corporation and it is easy for it to apply whereas it is difficult for an individual to fight the C.N.R. This bill was passed by the House of Commons and I would like to hear from the Minister whether there was much objection to this clause 8.

Hon. Mr. BALCER: Nobody raised any objection to this clause.

Senator DUPUIS: Perhaps the Senate looks further than the House of Commons.

Senator BOUFFARD: There is another point about this. If there is no fence and some cattle stray on the railway line would the owner of the cattle be responsible for any damage caused the railway company? That may happen. If the farmer is already there and then the railway line goes in, what would be the position of the railway company should such an event occur?

Senator STAMBAUGH: The counsel for the railway company has said that it is very easy for a settler to collect, but I know that is not true. I had three horses killed by the railway and I did not collect anything although I tried very hard. Their solicitor came down and he sure bluffed me out. They will do the same thing with these settlers up there if cattle get onto the right of way and are killed. There are settlers along there, and there are people running cattle. The right of way should be fenced. If the railway company intended to fence the right of way if as and when it was needed then they would not have asked for this clause in the bill. If they really intend to pay for any damage caused in this fashion then they would not have asked for this exemption. It should be struck out.

Senator ASELTINE: I understand there are no cattle or horses there now.

Senator STAMBAUGH: There are some. I am acquainted with that part of the country. I have been through it. As I said in the Senate last night it is not all good agricultural land, but there is some.

Senator ASELTINE: The company is liable, anyway.

Senator STAMBAUGH: Well, I say it is not. I will tell you something else. I had a word with a member of the Board of Transport Commissioners, and I was told that if this clause is not deleted the railway will not be liable.

Senator DUPUIS: Mr. Chairman, I think it would be wise to take a vote and find out what the attitude of this committee is. I suggest that somebody should move that clause 8 be deleted from the bill.

Senator MACDONALD (*Brantford*): Mr. Chairman, I think we should consider two things. We should consider either striking out the whole clause, or striking out the last two lines, in any event.

Senator POWER: Mr. Chairman, I think the whole clause is put in for the purpose of avoiding responsibility. I do not think the Canadian National cares a hoot in hades whether it has to go before the Board of Transport Commissioners or not, but it is worried about its liability. The whole clause is built around that last line.

Senator HORNER: I was around Whitecourt and up in that country last fall. Apparently there was no objection to this clause in the House of Commons from members from the west and I would suspect that the reason for that is that the days of the open range are over. People now require protection for their stock from truckers who have been running in and picking them up, and because of that they fence their cattle. There is now no open range such as there was in former years. That is why there was no objection. I do not see any objection to this being applicable to that part of the country. Fast trains will not be running over this line, and they will not be running in any great number. There will be only long freights moving very slowly. It would be a different situation if there were to be fast passenger trains. I fail to see anything wrong with this clause.

The CHAIRMAN: We have the section before us, honourable senators.

Senator REID: I will move that the last two lines of clause 8 be deleted.

Senator STAMBAUGH: I would like to move that the whole clause be stricken out.

The CHAIRMAN: Senator Reid has moved that the last two lines be stricken out.

Senator ASELTINE: If that is done this railway line will never be built.

The CHAIRMAN: And Senator Stambaugh has moved that the whole clause be stricken out.

Senator ASELTINE: That would mean that the whole railway would have to be fenced.

Senator BRUNT: No, it would mean they would have to go to the Board of Transport Commissioners, and they are up there every day.

Senator STAMBAUGH: If this clause is cut out of the bill—when the line was built from Terrace to Kitimat I know that the railway raised a great objection to building fences. The president of the railway spoke about the matter before the Board of Trade and Commerce in Edmonton and said that we were making him build the fence and causing him to spend over \$100,000 more than was necessary. That was not right. I went to work and I found out just how much fence they did build. They appeared before the Board of Transport Commissioners, and they had to build only six miles of fence. That is exactly what they will have to do in this case. Perhaps they will not have to build any fence. I know this country, and I know that there is some good agricultural land in there and there will be some settlers there. It is good agricultural land up to the McLeod River right now, and there is some where this line is going through and there will be certainly settlers there who should have that protection.

The CHAIRMAN: Is the committee ready to vote?

Senator BRUNT: Would the minister like to say a word about fences?

Hon. Mr. BALZER: No, I cannot add anything to what counsel has said. I know that there was a similar section in the bill with respect to the Pine Point railway, and the matter was thrashed out back and forth then. I do not think I can add very much. There is a certain argument in the fact that the company is trying, as much as possible, to cut its costs, and when a railroad is being built in a wide open and deserted area it does not make too much sense to build a fence along it. I would point out that there is a certain procedure by which anyone can force the railway to build a fence, but on the other hand—

Senator BEAUBIEN (*Provencher*): The railway company can always appear before the Board of Transport Commissioners and obtain permission not to build a fence.

Hon. Mr. BALZER: That is right.

Senator STAMBAUGH: Surely, Mr. Minister, you will agree that it is much easier for the railway company to go before the Board of Transport Commissioners than it is for a settler who is away up on the other side of Whitecourt?

Hon. Mr. BALZER: I quite agree. Perhaps Mr. Purves might give us some indication of the type of traffic that will be going over this branch line, and the type of trains and their speed.

Mr. PURVES: I would like, first, to correct an impression that I might have left that there is good agricultural land along side of the river adjacent to this extension. I should not think there is likely to be too much. If you are talking about the other side of the Athabasca River, then you have highway between the land and the river.

With respect to the class of service I think one honourable senator came close to mentioning what it is likely to be. There will be no speedy freight trains. This is going to be a switching operation. The rail head for train operating purposes will still be Whitecourt, and all the railway company will do is get a string of cars up there as the sulphur company puts in an order for them. Once those cars are filled the string will be pulled out again. The company will not operate at speed because the line will not be built to that standard, nor would the company want to. It would not make sense.

Senator BAIRD: In other words, you would only move the stuff when it is required to be moved?

Mr. PURVES: That is right. We will move empty cars up there—

Senator POWER: How are you going to advise the cattle that you are going through on a certain day?

Mr. PURVES: What I have in mind is that this is not a regular freight service. We would not expect to have a regular train service established there. It is almost a switching operation at slow speeds.

Senator BUCHANAN: You do not need this clause for your protection, then?

Senator STAMBAUGH: That is right.

Senator HORNER: Have you seen cattle in that area?

Mr. PURVES: Not in that area. Where I have seen cattle is on the other side of the river.

Senator HORNER: May I say another word? There is a highway there. If animals are allowed to stray on the highway in the western provinces, and they cause damage, the person damaged can sue the owner of the animals if there is not a person in charge of them. So, it is essential for people now to fence their cattle in. If your animal causes a wreck then you are liable for the damages.

Senator STAMBAUGH: I think that is what the C.N.R. wants to do right now. It wants to make the farmer responsible.

Senator MACDONALD (*Brantford*): I think the minister has been very fair, Mr. Chairman. Senator Aseltine has intimated that if this clause is stricken out the railway will never be built. I am quite sure that the minister does not agree that the railway will never be built if clause 8 is stricken out, so that point is cleared up. All this does is to switch the onus from the farmer to the railroad, and I think they are much better able to carry it than the farmer is. As far as I am concerned, I shall vote for the amendment, and if we strike out the clause I shall certainly vote for the main motion.

Senator ASELTINE: What I was particularly referring to was that they want to put the piers in for this bridge this winter. If we hold this bill up they will never get them in.

Senator BRUNT: We can send the bill back to the House of Commons today and give it third reading.

Senator MACDONALD (*Brantford*): I think there will be no difficulty in that.

Senator BRUNT: We have the undertaking of the Leader of the Opposition that we shall have the vote today?

Senator MACDONALD (*Brantford*): I have control of my own vote only.

The CHAIRMAN: Is the committee ready to vote on Senator Stambaugh's motion to strike out clause 8 of the bill?

Some Hon. SENATORS: Question.

The CHAIRMAN: Those in favour of the amendment, please raise their hands.

Senator HORNER: What is the vote now, to strike out the whole bill?

The CHAIRMAN: The amendment is to strike out clause 8 of the bill, senator.

Those in favour of the amendment?—19.

The CHAIRMAN: Those against the amendment?—6.

The CHAIRMAN: The amendment is carried.

Are there any further questions any honourable senators wish to ask the officials or the minister? If not, shall I report the bill with the amendment?

Some Hon. SENATORS: Agreed.

The CHAIRMAN: The preamble carries?

Hon. SENATORS: Carried.

The CHAIRMAN: Does the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall I report the bill with the amendment?

Hon. SENATORS: Carried.

The CHAIRMAN: Our next bill, honourable senators, is Bill C-48, an act respecting the construction of a line of railway to Chisel Lake.

Mr. Minister, would you enlighten us on this?

Hon. Mr. BALCER: Yes, I have a short statement, thank you very much, Mr. Chairman.

This bill provides for an eight-mile extension to the Canadian National's Optic Lake-Chisel Lake branch in Manitoba. Bill C-48 is an act to amend chapter 13 of the Statutes of Canada, 1957-58, which act provided for the construction of a line of railway for Canadian National Railways, from Optic Lake to Chisel Lake, a distance of 52 miles, in the province of Manitoba. In the schedule to the act this branch line is referred to as "Branch line Number 1" because there is also included in that same act provision for the acquisition of another line of railway, which was called "Branch line Number 2" and with which we are not concerned here.

Bill C-48 provides for an extension of eight miles to the 52 miles which has recently been completed under the original act. You will recall that the 52-mile line was needed to reach a zinc-copper mine at Chisel Lake, operated by the Hudson Bay Mining and Smelting Company. That company is now proceeding to open a new deposit at Stall Lake, about eight miles farther on from Chisel Lake, and wishes rail service to the new mine. They also propose opening an additional deposit at a location known as Osborne Lake, which is another 11 miles distant from Stall Lake, but they plan to truck that ore to the Stall Lake railhead, from where it will all be shipped via the Chisel Lake line to Flin Flon for processing.

The railway has completed a traffic guarantee agreement with Hudson Bay Mining similar in form to that entered into covering the original 52 miles. The estimated cost of the extension is \$1,090,000, and the company informs us that it was able to build the first 52 miles sufficiently under the estimate contained in the original act of \$8,840,000 that it can build this extension within the amount of authorization of \$8,840,000 originally provided. Therefore, they are not asking for an additional appropriation in this present bill.

I think honourable senators will see that this is a logical further development of the original Chisel Lake line to serve increased production of the mining company. The railway reports that its study of the economics of this extension show that it will be a profitable venture, just as the original scheme was profitable.

The railway officials who are here are available to answer any questions which you may have concerning this bill, and I am sure you will obtain all necessary information to deal with the matter.

Senator BRUNT: What was the cost of the part built originally?

Hon. Mr. BALCER: It was \$8,840,000.

The CHAIRMAN: That is the estimated cost. What was the actual cost?

Senator PEARSON: \$6,400,000.

Mr. PURVES: The actual cost was \$6,400,000. That is, a little over \$2 million was not expended.

Senator REID: In passing this bill we shall be changing the bill as it was originally introduced. The original sum was \$8,840,000. The mileage under the original bill was 52, and now we are putting in the statute another full amount.

The CHAIRMAN: We are just amending the original bill. This is not a different \$8,840,000; it is the same total amount.

Hon. Mr. BALCER: Under the Railway Act the company could build a branch line of less than six miles without coming before Parliament; but the only amendment in this bill is the change from 52 miles to 60 miles, which is an eight miles difference. That is the reason why we have come before Parliament.

Senator BRUNT: And for the change in the estimated cost.

Senator MACDONALD (*Brantford*): No.

Senator BRUNT: Under the original bill the estimated cost per mile was \$170,000, and under the new bill the average cost per mile is \$147,333. Is not that a change?

Senator MACDONALD (*Brantford*): Not in the bill.

Senator MOLSON: Might I ask, Mr. Chairman, how the estimates in this case were out as much as something over \$2 million on a \$8 million estimate? There must have been a—

Senator BRUNT: —a soft-hearted contractor!

Senator MOLSON: I should like to find one of those too.

Mr. PURVES: Senator, we ran into quite a competitive situation and received rather lower bids than we had anticipated. In fact, there was some complaining from one contractor that he had taken the job for less than he should have. We did get low bids, and the part that we were doing ourselves, the track laying and so on, went unusually well. It is hard to estimate these things. It depends how you get the breaks in getting organized, and how the weather goes for you. This was one of those times when it did go unusually well. I doubt whether it will always be that good. In fact, we know from past experience that it does not happen every time. The country to be traversed by the extension is not too different from that traversed by the 52 miles to Chisel Lake. It is rocky, with peat in the rock depressions, and some forest cover.

We think, in view of the experience of the 52-mile stretch, that the \$1,090,000 will probably be all right. We have allowed for some increase in the level of prices—it is \$136,000 on an average, and on the 52 miles before it was \$124,000 a mile.

Senator BRUNT: You would be calling for competitive bids on this?

Mr. PURVES: Most definitely, except for what we do with our own forces, and that is generally a matter of track laying.

Senator PEARSON: Why did the company only ask for an additional eight miles and not all the way to Osborne Lake?

Mr. PURVES: There is already a road for that last 12 miles, and in view of the road already being there the mining company would avoid the expense of building the extra line.

Senator PEARSON: What size of town is Snow Lake?

The CHAIRMAN: Stall Lake?

Senator PEARSON: Snow Lake?

Mr. PURVES: It is a sizeable community, but what the population would be I do not know.

The CHAIRMAN: There is one question I wanted to ask you, Mr. Purves. You have an agreement with the Hudson Bay Mining and Smelting Company under which they agreed to provide traffic, and so on, sufficient to cover your running costs and interest on the capital investment.

Mr. PURVES: And to amortize the investment.

The CHAIRMAN: Was that an agreement based on your original estimate of \$8,840,000?

Mr. PURVES: Yes, the original agreement was for the first 52 miles, but it is based on our estimate of what we think it will cost. It has had to be treated virtually as two separate lines because they had to be built at different times.

Senator MACDONALD (*Brantford*): You have another agreement?

Mr. PURVES: Yes.

Senator BRUNT: You do not amend an agreement if you find your costs are down or up?

Mr. PURVES: No, we do not.

Senator BOUFFARD: Are you getting good results?

Mr. PURVES: It is going very well. The original estimate of traffic for the first accounting period was an 18 month period, as I recall, and 16 months have now gone by since that line was opened first in September, and we are quite easily over the traffic figure now.

Senator PEARSON: Can you give any estimate of the tonnage haul?

Mr. PURVES: I can tell you the tonnage that went over.

Senator PEARSON: Per month?

Mr. PURVES: No, it is in a total, and I would not like to break it down, because I am not sure of the pattern, but from the time of opening in 1960 to the end of December 1961 we handled 376,000 tons, and I can assure you that is over the estimate we figure.

Senator ASELTINE: That is quite satisfactory, is it?

Mr. PURVES: It is quite satisfactory, and we are very pleased with it. I think the mining company is too. The quality of the material we are bringing out has proved rather better than they had made their estimate on.

Senator BRUNT: Your profit will be higher than you estimated?

Mr. PURVES: Oh, yes.

Senator POWER: May I ask if the original bill provided for a loan from the Government to Canadian National Railways for the present venture?

Mr. MACDOUGALL: May I speak to that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. MACDOUGALL: No. The original bill was in two parts for two different lines. This branch line would be one that was financed as already described; the other line was dealt with differently on a purchase arrangement with the company involved.

Senator POWER: But in the Whitecourt bill, it was provided that the company would advance Canadian National Railways an amount for the construction. Was that same provision in the original bill here?

Mr. MACDOUGALL: I think basically the bills are the same in their general method of financing.

Senator POWER: And according to this other measure, bill C-63, the moneys are advanced by the Government as the line is being built, as required, is that right?

Hon. Mr. BALCER: Temporarily.

Senator POWER: Well, was that procedure followed in this bill, as the money is required?

The CHAIRMAN: Senator Power, I have before me the original bill of 1957, and that contains in section 8 and 9 the usual provisions. Section 8 authorizes the Government to advance moneys temporarily to the railway, and in Section 9 the Governor in Council authorizes the guarantee by the Crown to the Canadian National Railways. If you will notice, that is exactly the same as we find in Bill C-63 which we passed earlier this morning.

Senator POWER: As I understand it, the Government did actually advance temporarily an amount of some \$6,400,000. Am I right in that? And there remains under the original bill, then, a balance of up to \$8,400,000, so that the railway is now using up its credit with the Government to the extent of about \$2 million?

Mr. MACDOUGALL: By \$1,090,000, is the estimate.

Senator POWER: It is a credit already established by statute?

Mr. PURVES: That is right.

The CHAIRMAN: Any further questions?

Senator ASELTINE: I move that we report the bill.

The CHAIRMAN: Shall we report the bill?—Bill reported.

The CHAIRMAN: Does the preamble carry?—Preamble carried.

The CHAIRMAN: Does the title carry?—Title carried.

The CHAIRMAN: Shall I report the bill without amendment?—Bill reported without amendment.

The committee adjourned.



Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-66, An Act to amend the St. Lawrence Seaway
Authority Act

The Honourable A. K. HUGESSEN,
Chairman.

WEDNESDAY, February 28th, 1962.

WITNESS:

Mr. R. J. Rankin, President of the St. Lawrence Seaway Authority

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gouin	Monette
Baird	Hardy	Paterson
Beaubien (<i>Provencher</i>)	Hayden	Pearson
Bishop	Hollett	Power
Blois	Horner	Quart
Bouffard	Hugessen	Reid
Bradley	Isnor	Robertson
Brunt	Jodoin	Roebuck
Buchanan	Kinley	Smith (<i>Kamloops</i>)
Campbell	Lambert	Smith (<i>Queens-</i>
Connolly (<i>Halifax</i>	Lefrançois	<i>Shelburne</i>)
<i>North</i>)	*Macdonald (<i>Brantford</i>)	Stambaugh
Connolly (<i>Ottawa West</i>)	Macdonald (<i>Cape</i>	Taylor (<i>Westmorland</i>)
Dessureault	<i>Breton</i>)	Thorvaldson
Dupuis	McGrand	Veniot
Emerson	McKeen	Vien
Farris	McLean	Woodrow—50.
Gershaw	Méthot	
Gladstone	Molson	

50 members

(Quorum 9)

**Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Friday, February 23, 1962.

Pursuant to the Order of the Day, the Honourable Senator Choquette moved, seconded by the Honourable Senator Higgins, that the Bill C-66, intituled: "An Act to amend the St. Lawrence Seaway Authority Act", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Choquette moved, seconded by the Honourable Senator Higgins, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 28, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day 2.00 p.m.

Present: The Honourable Senators Hugessen, *Chairman*; Aseltine, Dessureault, Gershaw, Kinley, Lefrançois, McGrand, Molson, Quart, Reid, Stambaugh, Taylor (*Westmorland*) and Woodrow—13.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill C-66, An Act to amend the St. Lawrence Seaway Authority Act, was read and considered.

On Motion of the Honourable Senator Reid, seconded by the Honourable Senator Molson, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in explanation of the Bill was: Mr. R. J. Rankin, President of the St. Lawrence Seaway Authority.

Also in attendance but not heard: Mr. Peter E. R. Malcolm, Secretary and Director of Administration, The St. Lawrence Seaway Authority.

It was Resolved to report the said Bill without any amendment.

At 2.45 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, February 28, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-66, intituled: "An Act to amend the St. Lawrence Seaway Authority Act", have in obedience to the order of reference of February 23, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

WEDNESDAY, February 28, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-66, intituled: "An Act to amend the St. Lawrence Seaway Authority Act", report as follows:

Your Committee recommend that authority be granted for the printing of 800 copies in English and 200 copies in French of their proceedings on the said Bill.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

THE SENATE

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Wednesday, February 28, 1962

The Standing Committee on Transport and Communications to whom was referred Bill C-66 an act to amend the St. Lawrence Seaway Authority Act, met this day at 2 p.m.

Hon. A. K. HUGESSEN in the Chair.

On motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On motion duly moved and seconded, it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, the witnesses who are appearing before us this afternoon are Mr. R. J. Rankin, President of the St. Lawrence Seaway Authority, and Mr. Peter E. R. Malcolm, Secretary and Director of Administration of the St. Lawrence Seaway Authority.

Before you begin, Mr. Rankin, I must apologize for having brought you here this morning and making you wait so long. You will appreciate that the meeting of the Standing Committee on Banking and Commerce which preceded this meeting lasted longer than was anticipated.

Mr. R. J. RANKIN, President, St. Lawrence Seaway Authority: That is quite all right, sir.

The CHAIRMAN: Shall I ask Mr. Rankin to give us a brief explanation of this bill?

Some hon. SENATORS: Agreed.

Mr. RANKIN: Mr. Chairman, and gentlemen, the explanation of the bill as given in the House of Commons by the Minister of Transport was that its purpose is to amend section 13 of the St. Lawrence Seaway Authority Act, chapter 242, R.S.C. 1952, to increase the limit of the borrowing power of the authority to \$345 million from \$335 million. Section 13 of the act was amended by 7-8 Elizabeth II, chapter 9, 1959 to increase the power to borrow money from \$300 million to \$335 million. This provision reads as follows:

The Authority, with approval of the Governor in Council, may, from time to time, borrow money from Her Majesty or otherwise for the purposes for which it is incorporated, but the aggregate of the amounts borrowed under this Act and outstanding shall not at any time exceed three hundred and thirty-five dollars.

Section 25 of the act provides that the Minister of Finance with the approval of the Governor in Council may from time to time make loans to the Authority to the extent only that Parliament has authorized such loans to be made in a fiscal year.

Current commitments, outstanding work and contractors' claims will exhaust the Authority's present borrowing power. The additional \$10 million will be needed for the remaining contractors' claims, land settlements, construction works including the completion of the Cornwall North Channel Bridge, a floating crane and certain remedial works, landscaping and wharf improvements.

With respect to those things the purposes for which the money has been obligated are set forth as contractors' claims, \$1,818,500; land and land settlement, \$1,579,000; the North Channel Bridge, \$1,238,000; the floating crane, \$1,968,000; rip-rap and canal banks, \$160,000; remedial works, \$390,000; wharf improvements, \$150,000; landscaping, \$385,000; permanent shops, \$1,215,000; and tourist facilities, which is generally the landscaping and the provision of essential washrooms and things of that kind, up to \$100,000, making a total of \$9,103,500.

Senator REID: For my own information may I ask if Canada is spending this money alone, or is there any money spent by the United States in developing the St. Lawrence waterway?

Mr. RANKIN: The United States are responsible only in relation to the section which is within the United States, and that would be the Snell Lock and the Eisenhower Lock, and the approaches to the two locks. They have no obligation for any expenditures in that part of the seaway which is within Canada.

Senator REID: Do any of the provinces contribute, or is this strictly a Dominion affair?

Mr. RANKIN: It is strictly the Dominion.

Senator REID: And \$345 million has been spent right from the beginning until now?

Mr. RANKIN: That is right.

The CHAIRMAN: This has nothing whatever to do with the provincial contribution for the water power development?

Mr. RANKIN: No, sir.

Senator MOLSON: What would be the extent of the total expenses of the United States corresponding to our \$345 million?

Mr. RANKIN: I think it is about \$131 million.

The CHAIRMAN: How much have the provinces spent on the power development?

Mr. RANKIN: I do not know that; I am sorry.

Senator REID: How are revenues from shipping coming in?

Mr. RANKIN: I think that our experience in 1961 was very encouraging. Generally, I think that the last traffic statement shows that the seaway traffic from April 1 through the month of November, if you apply it to the Welland, exceeded 23 million tons; that is, on the St. Lawrence canals and not the Welland itself. This would be an increase of approximately three million tons. So that the tonnage was very good, and in a couple of months of the year records were established for the seaway.

Senator STAMBAUGH: Mr. Chairman, has some of this \$335 million been expended on the Welland canal?

Mr. RANKIN: Yes, sir. Approximately \$36 million has been expended on the Welland canal for the deepening and for capital improvements to make it conform to the newer seaway locks on the St. Lawrence.

The CHAIRMAN: How do your revenues compare with the interest charges on the capital amount of \$335 million?

Mr. RANKIN: They do not compare. The interest charges for 1961 would have been approximately \$15 million. Our net revenue at the end of 1961 would be less than \$5 million, so that we would not have anything like the money to meet the interest charges. This fact has been recognized as the probable thing because we have a deferment of interest payments now affecting 1961, 1962 and 1963. It is our hope that at the end of 1963 our traffic and revenues will have reached a point where we will be in a somewhat better position to look after the obligations we have.

Senator REID: Up to now this has not been so?

Mr. RANKIN: No.

Senator KINLEY: How do the Americans and Canadians share in the revenue?

Mr. RANKIN: It is a 71-29 split with Canada getting 71 per cent of the revenues and the United States getting 29 per cent. I would point out that two of the seven locks on the St. Lawrence belong to the United States.

Senator TAYLOR (Westmorland): Could I ask when they might expect to complete the eastern section of the St. Lawrence Seaway—I refer to the Chignecto canal.

Mr. RANKIN: Oh, I beg your pardon. I am sorry, sir, but I cannot tell you that.

Senator MOLSON: Mr. Chairman, the first figure given by Mr. Rankin was \$1,818,500 for contractors' claims. I haven't any facts but I have understood that at the time the seaway contracts were completed and the seaway was put into operation Canadian contractors' claims were vastly greater than this figure would indicate. I have forgotten what figures I saw but I have the impression they were quite a few millions of dollars. Is that so?

Mr. RANKIN: Yes, sir. I can give it to you.

Senator MOLSON: What was the extent of the claims by Canadian contractors?

Mr. RANKIN: The number of claims received to date total 58, for a total sum of \$44,262,052.32.

Senator MOLSON: The figure you have given us here of \$1,818,500, is that contemplated as being the final settlement against these claims of \$44½ million?

Mr. RANKIN: Yes, I think it is.

Mr. MALCOLM: It is the balance outstanding.

Mr. RANKIN: If you would permit me to complete the table, perhaps you would have a better picture.

Total number of claims received to date: 58 for a total of \$44,262,052.32.

Number of claims settled in 1961: 29 in the amount of \$36,612,656.41—settled for an amount of \$6,101,495.46 plus \$602,022.79 for interest for a total settlement of \$6,703,518.25.

Number of claims settled prior to 1961: 18 in the amount of \$575,253.38—settled for \$415,725.32.

Number of claims outstanding: 8 for \$6,922,804.65 of which offers have been made on 3 and 5 are under study by Treasury Board.

Number of claims before the Courts: 1 in the amount of \$107,000.86.

Number of claims rejected: 2 for \$44,337.02.

Senator REID: How does the United States come into the picture for 29 per cent cost?

Mr. RANKIN: Oh, this is division of the revenue, sir. They have two locks, you know. They built the Snell lock and the Eisenhower lock. They improved

all the approaches to those locks. I understand there is a distance of 10 or 12 miles down through the American side of the Seaway which was their responsibility to construct and on which they spent something like \$120 million to \$130 million. Now, on the basis worked out by the International Tolls Committee, it was agreed that, taking the picture of Canadian expenditure and the picture of American expenditure, a fair ratio for the division of the toll revenues was 71/29, sir.

Senator McGRAND: What percentage of tonnage was American and what percentage Canadian in origin?

Mr. RANKIN: I am not sure that I have that.

The CHAIRMAN: I suppose a great percentage of the tonnage is foreign, is it not?

Mr. RANKIN: Oh, no, the great percentage I would say, offhand, without the figures here, is Canadian. Is that not so, Mr. Malcolm?

Mr. MALCOLM: Particularly for wheat.

Mr. RANKIN: And if iron ore is moving, which it has not been for a couple of years, it certainly is Canadian. I think the indications, from what I have read in any news stories in the last few weeks, have been that the American shipping companies are, after one first experience with the Seaway, that they have cooled off a little bit, because the year 1959 was an extremely difficult year, and they are now beginning to look at it in the light of its operational experience through 1960-61, which was very good, and they are inclined to move back to it; so I would look for an increase in American vessels through the Seaway.

Senator KINLEY: Do cargoes which move through the waters originate mostly in Canadian or American ports?

Mr. RANKIN: You have, senator, a very large grain shipment out of Duluth as cargo to Baie Comeau. I would think Duluth would be one of the American ports which originates probably the greatest percentage of bulk cargo. Now, when you come down to general cargo, I think you all understand that when the Seaway was sold to the people of Canada its main purposes were set forth as handling of grain to the sea, iron ore back up, power development, and I think national defence at some point. Perhaps this statement from our traffic department would help to clarify:

Movements according to the origin or destination of the vessel showed that with respect to the transits through this section of the Seaway . . .

(and this is the St. Lawrence)

38.6 per cent of total traffic was between two Canadian ports. Another 29.2 moved between Canadian and U.S. ports. 31.7 per cent consisted of foreign trade to and from Canada and the United States, while only .5 per cent of the commodities through the St. Lawrence had both a U.S. origin and a U.S. destination.

Senator KINLEY: There is no restriction yet on foreign vessels?

Mr. RANKIN: No, sir.

Senator STAMBAUGH: If the Americans built a canal in New York state down to New York, would it help or hurt the St. Lawrence Seaway?

Mr. RANKIN: I am sorry, I do not think I can comment on that.

Senator MOLSON: It would not have any effect.

Mr. RANKIN: I do not know, though. I think if you want me to express a personal opinion it would have considerable effect, dependent upon the question

of whether we are going to charge tolls or not. That would have a considerable bearing.

Senator KINLEY: Well, that canal would be down the river from the beginning of the St. Lawrence Seaway.

Mr. RANKIN: Oh, you mean the proposed Richelieu canal? I did not think you meant that. I thought you meant the Buffalo by-pass designed to replace the Welland canal.

Senator STAMBAUGH: I mean the one to New York through the Richelieu.

Mr. RANKIN: No, I do not think there would be any effect there.

Senator STAMBAUGH: It would come up near to the St. Lawrence Seaway.

Mr. RANKIN: Yes, but it would not give access to the lakes.

Senator STAMBAUGH: Would it not divert some winter traffic?

Mr. RANKIN: From the east coast? That is I suppose possible but I do not know.

Senator TAYLOR (*Westmorland*): Do I understand you correctly to say that there are now \$6 million of claims outstanding?

Mr. RANKIN: Yes, the number of claimants outstanding, 8, for a total, which is claimed, not payable, but claimed by the contractors, of \$6.9 million.

Senator TAYLOR (*Westmorland*): You say claimed by the contractors?

Mr. RANKIN: That is the total money that they claim. Now if you want to relate what the contractors claimed and got in the form of payments, we could look back at the number of claims that were settled in 1961 where contractors claimed \$36 million in 29 claims and got \$6 million. You might take this as a very good basis of settlement.

The CHAIRMAN: That is why you expect that this \$1.8 million will settle all these claims?

Senator TAYLOR (*Westmorland*): Do you think you will be as fortunate with them as you were with the ones in 1961?

Mr. RANKIN: I think so.

Senator MOLSON: Are you yourself satisfied that these settlements on this basis were a good thing in the light of the experience on the Seaway, or do you feel that they worked some hardship or created some difficulties with regard to tendering on this type of government project?

Mr. RANKIN: No, sir, I would not say, as to the latter part of your question, I would not agree. I think that when it was decided to submit the contractors' claims to an independent Seaway claims advisory committee set up by Treasury Board that this assured both the contractor and the Government of the best possible engineering advice that could be given on the basis of settlement.

Senator MOLSON: Based on the contracts?

Mr. RANKIN: Yes, and performance.

Senator MOLSON: Were these settlements in any way comparable with the money given in the settlements made on the American side, Mr. Rankin?

Mr. RANKIN: I think the Americans used an entirely different system of settlement, but I think you will find that with comparatively few claims they still have two or three substantial claims which are bothering them.

Senator MOLSON: Yes, but they have not settled their claims on the same basis as we have in this country.

Mr. RANKIN: I do not know that, but I could find that in their report. Would you like to know it?

Senator MOLSON: Yes, that would be interesting.

Senator REID: What rate of interest is being paid on loans?

Mr. RANKIN: On our loans?

Senator REID: Yes.

Mr. RANKIN: It would depend on the rate of interest current at the time we borrowed the money. Some of them would be at 4.5 per cent, 4.75 per cent, 5 per cent, or $5\frac{1}{8}$ per cent—it was the current rate at the time the money was drawn.

The CHAIRMAN: Are there any further questions?

Senator REID: Mr. Chairman, I move that the bill be reported.

The CHAIRMAN: Shall the bill carry?

Carried.

The CHAIRMAN: Shall Section 1 carry?

Carried.

The CHAIRMAN: Shall the preamble carry?

Carried.

The CHAIRMAN: Shall the title carry?

Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

The committee thereupon concluded its consideration of the bill.



Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill S-13, An Act to incorporate Polaris Pipe Lines

The Honourable A. K. HUGESSEN,
Chairman.



WEDNESDAY, March 21st, 1962.

WITNESSES:

Mr. Maurice F. Strong, President, Canadian Industrial Gas; Mr. James C. Saks, President, Interprovincial Utilities; Mr. S. F. M. Wotherspoon, Q.C., Counsel for the petitioners; Mr. A. B. R. Lawrence, Q.C., Counsel for the petitioners; Mr. J. J. Frawley, Q.C., Resident Counsel at Ottawa for the Government of Alberta.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Hayden	Paterson
Bishop	Hollett	Pearson
Blois	Horner	Power
Bouffard	Hugessen	Quart
Bradley	Isnor	Reid
Brunt	Jodoin	Robertson
Buchanan	Kinley	Roebuck
Campbell	Lambert	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax</i>	Lefrançois	Smith (<i>Queens-</i>
North)	*Macdonald (<i>Brantford</i>)	Shelburne)
Connolly (<i>Ottawa West</i>)	Macdonald (<i>Cape</i>	Stambaugh
Dessureault	Breton)	Taylor (<i>Westmorland</i>)
Dupuis	McGrand	Thorvaldson
Emerson	McKeen	Veniot
Farris	McLean	Vien
Gershaw	Méthot	Woodrow—49.

49 members

(Quorum 9)

**Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 15, 1962.

"Pursuant to the Order of the Day, the Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Higgins, that the Bill S-13, intituled: "An Act to incorporate Polaris Pipe Lines", be read the second time.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Higgins, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 21, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 11.30 a.m.

Present: The Honourable Senators Hugessen, *Chairman*; Aseltine, Bradley, Brunt, Connolly (*Halifax North*), Connolly (*Ottawa West*), Dessureault, Gershaw, Hayden, Hollett, Horner, Isnor, Kinley, McGrand, McKeen, Reid, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson and Woodrow—21.

In attendance: Mr. E. Russell Hopkins, Q.C., Law Clerk and Parliamentary Counsel. The Official Reporters of the Senate.

Bill S-13, An Act to incorporate Polaris Pipe Lines, was read and considered clause by clause.

On motion of the Honourable Senator Reid, seconded by the Honourable Senator Brunt, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in explanation of the Bill were: Mr. A. B. R. Lawrence, Q.C., Counsel for the petitioners; Mr. James C. Saks, President, Interprovincial Utilities; Mr. Maurice F. Strong, President, Canadian Industrial Gas Company; Mr. J. J. Frawley, Q.C., resident counsel at Ottawa for the Government of Alberta.

At 1.00 p.m. the Committee adjourned.

At 2.00 p.m. the Committee resumed.

Present: The Honourable Senators Hugessen, *Chairman*; Aseltine, Bradley, Brunt, Gershaw, Hayden, Hollett, Horner, Reid, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson, Veniot and Woodrow—15.

Further heard in explanation of the Bill: Mr. S. F. M. Wotherspoon, Q.C., Counsel for the petitioners.

Also in attendance but not heard: Mr. D. R. Pflug, Consultant on Design and Engineering for the company.

It was Resolved to report the said Bill without any amendment.

At 2.30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, March 21, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill S-13, intituled: "An Act to incorporate Polaris Pipe Lines", have in obedience to the order of reference of March 15, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Wednesday, March 21, 1962.

The Standing Committee on Transport and Communications to which was referred Bill S-13, to incorporate Polaris Pipe Lines, met this day at 11.30 a.m.

Senator A. K. HUGESSEN (*Chairman*), in the Chair.

On a motion duly moved and seconded, it was agreed that verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, the names of the persons present here this morning who are available to give evidence to the committee, are Mr. Maurice F. Strong, Mr. James C. Saks and Mr. D. R. Pflug. The first two are two of the parties named in the bill as incorporators. The other two persons present are Mr. S. F. M. Wotherspoon, Q.C., and Mr. A. B. R. Lawrence, Q.C., Mr. Lawrence also being one of the parties named in the bill as an incorporator.

Before calling on any of these gentlemen, I think I should inform the committee that I have a report from our law clerk dated the 19th instant on this bill, which I will read, if the committee will permit.

In my opinion, this bill is in proper legal form. I should add, however, that while the bill follows in general the so-called standard form for pipe line bills, a number of departures therefrom appear in the present bill. Such changes as have been made represent, in my opinion, improvements over the existing standard clauses. The present draft was prepared following discussions with myself by Mr. Stewart Wotherspoon, Q.C., one of the counsel for the petitioners. He has in addition prepared a memorandum descriptive of the changes, and a copy thereof is enclosed herewith.

There are a number of changes suggested in this memorandum in the ordinary standard form of pipe line bills which we have passed on many occasions in the past. I suggest that perhaps when we have considered the bill in a general way we can then discuss it clause by clause, and I will ask the law clerk to tell us what changes he has suggested in the various clauses in line with the report he has made to me.

Senator Thorvaldson, have you any suggestions as to who should lead off on behalf of the applicants for this bill? I am told that Mr. Lawrence, counsel, for the company, is in a position to introduce the other witnesses.

Senator THORVALDSON: Mr. Chairman, I suggest that Mr. Lawrence be asked to speak to the bill first in a general way, and he will introduce the witnesses and tell the committee who they are.

The CHAIRMAN: Is that agreeable to the committee?

Hon. SENATORS: Agreed.

The CHAIRMAN: Mr. Lawrence, will you kindly step forward?

Mr. A. B. R. LAWRENCE, Q.C., Counsel for and Director of Polaris Pipe Lines:

Mr. Chairman and honourable senators: I am a lawyer and a provisional director of the proposed corporation, Polaris Pipe Lines. With me are Mr. Maurice F. Strong, who is President of Canadian Industrial Gas, and this is the existing corporation which heads up the sponsor group. Mr. Strong is a Canadian, born and educated in Manitoba, and his career briefly includes some four years with James Richardson and Sons. In 1951 he was employed with Dome Petroleum and acted as vice president and treasurer of that corporation and worked with its subsidiaries and associates. In 1959 he became vice president and general manager of Canadian Industrial Gas, of which corporation he is now president. His responsibilities, and the questions which will be most pertinent to his position here today, will relate to the financing of the project and its general policy. On his right is Mr. James C. Saks, who is president of Interprovincial Utilities, which is a subsidiary of Canadian Industrial Gas. He is also a Canadian, educated at the University of Alberta, and subsequently at Harvard Law School and the Harvard School of Business Administration. Prior to working with the Canadian Industrial Gas group. Mr. Saks served with Trans Canada Pipe Lines themselves, acting in that corporation from time to time as secretary, assistant to the president, as manager of supplies, and manager of sales for Trans-Canada. This is his present position with Canadian Industrial Gas, and with respect to this application itself, his will be the responsibility with respect to reserves and markets, and, again, he is prepared to answer questions relating to those particular fields.

Senator STAMBAUGH: Which president of Trans-Canada Pipe Lines was Mr. Saks assistant to?

Mr. SAKS: Eldon Tanner.

Mr. LAWRENCE: Next we have Mr. D. R. Pflug who is an American and is here in his capacity as a consultant on design and engineering with respect to the physical facilities of the proposal. He is not here as a participant nor is he a participant with respect to the application or the companies themselves. He has been in the gas transmission engineering field for approximately 30 years and significantly also he has served extensively in Canada. He has acted as a vice president and chief engineer for Trans-Canada Pipe Lines; he has also acted in the same capacity with respect to West Coast Transmission.

In addition, with us is my partner, Mr. S. F. Wotherspoon, Q.C. He is here and his responsibilities relate directly to what we hope will be assessed as a polishing and improving of that which is incorporated in the technical drafting of the bill itself, and I would hope that when questions come with respect to drafting of this bill itself that Mr. Wotherspoon will be called upon to deal with those questions.

All of these gentlemen are therefore, Mr. Chairman and honourable senators, essentially here to amplify the details and give details with respect to those matters generally covered last week when Senator Thorvaldson spoke to you on the second reading of the bill.

The CHAIRMAN: Are there any questions?

I gather, Mr. Lawrence, that Mr. Strong deals with the financial and general policy, Mr. Saks deals with reserves and marketing, Mr. Pflug is responsible for design and engineering and Mr. Wotherspoon on legal questions.

I suppose we had better ask one of these gentlemen to give us a general statement of what the bill is all about and what the basic proposal of the bill is.

James C. SAKS, President of Interprovincial Utilities: Mr. Chairman and honourable senators, the purpose of the bill is to ask for the incorporation of a pipe line company to transport gas from rapidly developing reserve areas in northern British Columbia, with some regard also to the increasing development in northwestern Alberta and in the Northwest Territories and possibly in the Yukon at some time.

Hon. Mr. REID: That is to say you will be building a pipe line to transport oil from these areas?

Mr. SAKS: No, this is to be a natural gas pipe line.

The proposal is to take this natural gas to the American markets, which have shown quite remarkable growth during the last 20 years and for which forecasts by various associations such as the American Gas Association, and consultants such as the Stanford Research Institute, as well as Dr. Quirin, who has used a great deal of this type of material in his recent report which he prepared for the Department of Northern Affairs and for other market reports which have been and are being submitted to the National Energy Board as well as to the Federal Power Commission in the United States. In view of the type of growth that is forecast for the general areas of North America and in view of the trend of production of existing gas reserves it appears that new areas of supply are going to be needed in the not too distant future to support not only existing markets but to provide for incremental growth of this market.

Senator REID: And you intend to export this gas to the United States, is that the sole purpose?

Mr. SAKS: That is correct, except to the extent that if at any time along our route, if any of the facilities that are proposed here are in a position to advantageously supply Canadian markets, then that factor would certainly be considered.

Senator GERSHAW: The route through Alberta, that is very essential to the gas fields there. What would be the position there? Would it be possible to pick up and use some of that gas?

Mr. SAKS: It is entirely possible.

Senator BRUNT: Could the witness tell me, in building a pipe line such as this, do you have to obtain authority from the Alberta Conservation Board?

Mr. SAKS: It is my understanding, and I am informed that we do not.

Senator BRUNT: You do not?

Mr. SAKS: No, we do not.

Senator BRUNT: So that you could build your line entirely through the province of Alberta and you would be the sole judge as to whether you would pick up any Alberta gas or not?

Mr. SAKS: I am not so sure that would be the case.

Senator BRUNT: If you can build your line without the permission of the Alberta Conservation Board, do you need the permission of the Alberta Government to build the line?

Mr. SAKS: I think only in so far as you need permits for the right-of-way crossings.

Senator BRUNT: But you have power of expropriation under this bill?

Mr. SAKS: Yes.

Senator BRUNT: So you could build the line without the permission of the Alberta Government and without the permission of the Alberta Conservation Board?

The CHAIRMAN: That would be like any federal railway which can do the same.

Senator BRUNT: I know that, but I just want to get an answer.

Senator REID: This is an important question. The gas is coming from B.C., through Alberta, and you have to have an export permit to get it out of the province. We have been told they do not need authority from Alberta to get the gas from outside the province.

Senator BRUNT: I am not trying to complicate the situation.

Mr. SAKS: In so far as the facilities are concerned, the actual pipe line.

Senator McKEEN: The situation might be different to take gas from Alberta. It is not to take any gas out of Alberta, but it is all British Columbia gas.

Mr. SAKS: Yes.

Senator REID: You would not go to the province of Alberta for a pipe line, but for the object of taking gas from Alberta to the United States.

Senator BRUNT: They can take British Columbia gas and put it in this line, and can disregard any gas available in Alberta, to export it to the United States.

Mr. SAKS: I think that is right, subject to what the National Energy Board might say.

Senator GERSHAW: In that position you might run into trouble, because the Alberta gas fields are very anxious to have an understanding that some of their gas could be marketed through that pipe line.

Mr. SAKS: I think there is no question at all, depending on the extent of the reserves and the characteristics of the reservoirs, the prices, and so forth, it is entirely possible that Alberta gas could move through, with a permit.

Senator BRUNT: This gas you are proposing moving, it is not much cheaper than the Alberta gas?

Mr. SAKS: Having regard to the fact this is a project which is a year or two down the road, and there is a considerable surplus in Alberta at the moment, what effect this might have on current prices I cannot suggest at this time, so to suggest at this moment what the relationship might be between this gas and Alberta gas is very difficult to assess.

Senator REID: But you have to apply to the Energy Board regarding the price at which you sell the gas across the line, and to sell it across the line?

Mr. SAKS: Yes.

The CHAIRMAN: Is not that really the answer as to where they get their gas from? The National Energy Board has complete control, and if they say that in the national interest it is best that part of the gas should come from British Columbia and part from Alberta, they would make that a condition of sale.

Senator REID: But they have to get a permit to export that gas to the United States, and without that authority they could not have done that, but now we are told they can build the pipe line without getting authority from the province of Alberta.

Mr. SAKS: Yes.

Senator REID: Why could not they do that in the case of West Coast when they are able to in this case?

Senator BRUNT: I do not think this witness should have to answer for West Coast.

Senator REID: I am asking for information.

Senator THORVALDSON: I think it is like the building of a railroad. A province cannot stop the building of a railroad across its territory.

Similarly, a province cannot stop the building of a pipe line across the province, if it is a pipe line that does not originate or does not terminate, say, in the province of Alberta. It cannot stop the pipe line being built, because that is governed by federal authority.

Senator REID: Does not anyone have to get permission from Alberta before they can take gas out?

Mr. SAKS: Yes.

Senator BRADLEY: Is not this only the right-of-way for the line itself?

Mr. SAKS: Yes.

Senator BRUNT: And to build the pipe line. My same question would apply to the province of Saskatchewan.

Mr. SAKS: Yes, that is correct.

Senator REID: And you could go to the province of Alberta and ask for the right to take the gas out?

Mr. SAKS: Yes.

Senator REID: They go ahead and build a pipe line before they do that. They are putting the cart before the horse, in my opinion.

Senator BRUNT: The other thing is, will unlimited quantities of this gas be available for Canadian customers, if they require it?

Mr. SAKS: I am sure it would be.

Senator BRUNT: There would be no restriction as to supplying any Canadian town that passed by?

Mr. SAKS: No.

Senator BRUNT: In building the line?

Mr. SAKS: No.

Senator BRUNT: And supplying them with unlimited quantities of gas?

Mr. SAKS: Whatever their requirement might be.

Senator ISNOR: But your main market is in the United States?

Mr. SAKS: Yes, that is correct.

Senator ISNOR: What part? Will that connect up with some American line?

Mr. SAKS: It may well do. It may be a combination of connecting up with existing lines—

Senator ISNOR: Your entry point is in an oil-producing section of the United States, is it not?

Mr. SAKS: It is in the general area, that is correct.

Senator ISNOR: So, for a further market it will have to extend further into the interior?

Mr. SAKS: That is correct.

Senator ISNOR: If so, then you will likely have already consulted or talked that over with the connecting lines so as to be able to supply the market further in the interior?

Mr. SAKS: We have had discussions with marketers, pipe line and utility people.

Senator ISNOR: Would you mind giving the names of those lines?

Senator THORVALDSON: I wonder if that is an appropriate question. Might that not be confidential information?

Senator ISNOR: I think it will have a bearing on future development of this pipe line, that it will have an effect on Canadian labour and Canadian suppliers of material and so on. That is why I am asking as to American connections.

Mr. SAKS: At the moment we have done a great deal of investigation through market surveys and so on in the areas called the east-north-central parts of the United States and the west-north-central parts of the United States—which represent, generally speaking, the largest and fastest growing market areas for gas on the North American continent with the possible exception of the west coast of the United States. In those areas there are a great number of companies, some of which consider themselves to be in competition with each other. For that reason, in the case of a number of our discussions, we have talked with consultants who have asked us to retain as confidential the names of clients for whom they are dealing; and we have agreed to do this. The exact marketing companies which will finally contract with us to buy supplies have not yet been determined specifically. It will probably take a year or two to do that.

Senator ISNOR: In other words, you do not wish to give the names of the companies?

Mr. SAKS: In certain specific instances I am reluctant to do so by reason of my having given an undertaking to the consultants to keep that information confidential.

Senator HORNER: Does this line serve a particularly new area or is it now in proximity to the Westcoast and to the other lines exporting gas at present?

Mr. SAKS: This will go at a southeasterly angle across Alberta and Saskatchewan and will in no way affect the operations of the Westcoast system.

Senator HORNER: It will draw gas from the same field?

Mr. SAKS: This will go at a southeasterly angle across Alberta and Alberta and Southern Natural Gas. We are working 300 miles to the north of their existing gas suppliers. It is my understanding that any recent development and exploration would seem to indicate that in the Fort St. John area, well to the south of where we are working, there has been a substantial amount of new discovery, which will probably provide adequate supplies for the Westcoast system.

Senator HORNER: I do not think Westcoast is north of St. John at all.

Mr. SAKS: No, it is the gathering system that supplies it.

Senator REID: Is there any intention to make application to the Energy Board for a permit now?

Mr. SAKS: No.

Senator REID: That will not be done until the act is passed?

Mr. SAKS: That is correct, sir.

Senator BRUNT: Have you had a survey made to ascertain the anticipated field cost of gas in this area of British Columbia?

Mr. SAKS: No, we have not. It is impossible to make a specific survey at the moment to determine that.

Senator BRUNT: Well, have the people connected with this proposed corporation made any kind of an estimate as to the cost of the gas in this area?

Mr. SAKS: One of the problems in determining that—there must be a clear understanding that this is a project that is going to require three, four or five years to bring about. The key explorations have confirmed what

we have hoped for, and up in certain reef areas astronomical reserves have been forecasted for these particular wells. Because of the remote location of these reserves and because of the existence of very large reserves much closer to existing markets today it is a question as to the relationship between those locations that determines the price of getting those reserves to markets, and that is going to be determined strictly by the producers on their unit costs of production.

Senator BRUNT: That is going to be the sole determining factor, are you saying?

Senator REID: The price.

Mr. SAKS: He will decide that as a businessman having invested in a certain area certain sums of money. If he finds very poor production his production costs per m.c.f. must be higher than they are now tending to be in that area.

Senator BRUNT: Surely, you do not mean that. Do you mean to say that the selling price of the gas has nothing to do with determining what you pay for it, or that the cost of transporting the gas has nothing to do with what you propose paying for the gas, and that the producer, and the producer solely, is the one who determines what you will pay for the gas?

Mr. SAKS: Subject to the approval of the Energy Board, he certainly determines what he is willing to sell his product for in area A as compared to area B.

Senator BRUNT: Regardless of the selling price of the gas and regardless of the cost of distribution the producer will determine the price of the gas?

Mr. SAKS: He will determine his price on the basis of the selling price in certain areas. He will decide, and ask himself: "If I want to stay with this gas for 20 years I will hold out for x cents per m.c.f. at the well-head. If I can afford to move it to the market at a lesser price I can negotiate that with the pipe line company".

Senator McKEEN: How can you know whether this pipe line is an economic proposition without knowing what you are going to have to pay for the gas, or at what price you will be able to sell it?

Senator HAYDEN: Is there anything unusual about that? I might go into a manufacturing business and figure out what my costs might be, and I might study the market, but I still have not got a market.

Senator McKEEN: He says he has not done that.

Senator HAYDEN: No, but they are setting up a company, and they know where the gas reserves are. In other words, they know the thing they are going to deliver is there. It then becomes a question, there being a lot of gas available, and especially these substantial reserves in a very remote area, whether the man is going to sit back and get a higher price, or take a lower price at the moment. There are always gambles in these situations, and I do not think it is our job to protect persons from taking a chance if they are prepared to take it.

Senator BRUNT: All I am after is some information. You have no idea, then, what the gas is going to cost you at the well head?

Senator THORVALDSON: Perhaps Mr. Strong, who is the financial man, may want to answer this.

Senator BRUNT: I understood that—

Senator THORVALDSON: Just a minute, honourable senator, I would suggest that if this witness would like Mr. Strong to answer these questions perhaps that might be the proper procedure to follow in regard to these financial matters.

Senator BRUNT: Sure.

The CHAIRMAN: It occurs to me that perhaps this is a little premature. I understood the witness to say that this is a long-term proposition of three or four years, and that they cannot do anything until they get a charter from us and if and when they get such a charter they can see if this will work.

Senator BRUNT: I thought it was the general procedure that companies seeking a charter made a preliminary survey before they came in with a bill.

The CHAIRMAN: That may be, but it does not seem to be the case here.

Senator SMITH (*Kamloops*): Before leaving the matter of cost I wonder if the witness could tell us whether there is an established price for gas in that area now serviced by the gathering system of the West Coast in northern British Columbia?

Mr. SAKS: Yes, there is, sir.

Senator SMITH (*Kamloops*): It pretty well interlocks there, doesn't it?

Mr. SAKS: Well, that gas, being located immediately adjacent to the gathering systems, and so forth, will presumably be a little more valuable than gas located three to five hundred miles to the north without any means of gathering. There has been a policy in the Fort St. John area of Westcoast paying 10 cents per 1,000 cubic feet.

Senator SMITH (*Kamloops*): Is that price established by a conservation board or is it done by negotiation?

Mr. SAKS: No, sir, just by negotiation.

Senator SMITH (*Kamloops*): It is a negotiating matter between the producer of the gas and the pipe line company?

Mr. SAKS: That is right.

Senator HORNER: As a result of your experience and knowledge of what gas is now selling at you would have a fair idea of what you will have to pay for gas, wouldn't you?

Mr. SAKS: A good deal depends on the time you start your deliveries. If the market prices continue to escalate in the United States as they have been, you will obviously pay more than you would consider paying now. There is the cost of transportation, and so on, and what is left is what you can offer the producer.

Senator STAMBAUGH: It stands to reason you will get gas cheaper at the well head at Nelson than at Fort St. John.

Mr. SAKS: There is reason to hope.

Senator STAMBAUGH: That is reasonable, isn't it?

Senator BRUNT: You have no idea of the anticipated price at the well head?

Mr. SAKS: No, sir, not the specific figure as such.

Senator BRUNT: Have you made any contracts with the producers who are in there now, or asked for letters of intent?

Mr. SAKS: No, sir. We have discussed matters with them but we do not feel that until we have a corporation and a vehicle with which to discuss questions and carry out business that we are in a position to go further.

Senator McKEEN: I understood that before a pipe line company could apply for a charter it had to furnish proof of financial ability to build the pipe line through to completion. I don't know how you can come here without knowing how much you can sell, and so on.

Mr. SAKS: We certainly intend to have positive contracts of purchase and firm contracts of sale to place before the National Energy Board.

Senator McKEEN: In previous pipe lines that question was asked, whether the charter was granted and if they had the financial ability to go through with it.

Mr. SAKS: Well, I think Mr. Strong can certainly speak to the question in a project of this nature if you give the plans you have in mind.

Senator BRUNT: In the primary discussions you had in the area no proposed price had been suggested?

Mr. SAKS: No, sir. Neither the producers nor anybody else at this time will state a price.

Senator GERSHAW: Has the cost of building the lines been estimated?

Mr. SAKS: Yes, sir.

Senator GERSHAW: According to the assets they have, I presume?

Mr. SAKS: Yes, sir.

Senator BRUNT: I understand that eventually you intend to move into the market of the Chicago area, is that correct?

Mr. SAKS: It is possible. It all depends on prices and conditions in that market.

Senator BRUNT: Let us take the whole general market you intend to move into in the United States. Have you any proposed customers in that area?

Mr. SAKS: Not at this moment specifically with whom we have any agreement.

Senator REID: You are not going to go ahead blindly, for sure.

Senator BRUNT: They are not making any statement as to whether they are going into the market blindly or otherwise. Have you any tentative sales contracts with customers in this area?

Mr. SAKS: No, sir.

Senator BRUNT: Or any letters of intent?

Mr. SAKS: No, sir.

Senator BRUNT: Have you had a survey made of the customers in the area?

Mr. SAKS: I have a number of surveys made available to me which have been filed with the Federal Power Commission, which cover all the areas of the United States and the gas market areas by census zones, and so forth.

Senator BRUNT: Well, are you, do you know, competitive with Gulf and Coast Gas in this area in the United States?

Mr. SAKS: Not at the moment, I think.

Senator BRUNT: You do not know if you are competitive or not?

Mr. SAKS: No. At the moment we are not; and there is no question at all at the present time there is a very adequate supply of natural gas in the United States for market growth as it exists today; but looking at the trend down the road, five, six, seven years from now, and as the supplies in the United States decrease and more demand rises for them, their prices will rise, and it all depends on how far those prices will rise, and upon other matters which are considered marginal now.

Senator BRUNT: So you would not be able to get into that market, because you would not be competitive?

Mr. SAKS: That is right, sir.

Senator CONNOLLY (*Halifax North*): Mr. Chairman, I take it we are discussing Bill S-13, which is an act of incorporation?

The CHAIRMAN: Yes, senator.

Senator CONNOLLY (*Halifax North*): Mr. Chairman, I submit this committee is entitled to all reasonable information about this company which it is proposed to incorporate; but I submit further that there is a point beyond which we ought not to go, because this is not a confessional in any sense of the word, sir. I am wondering if we have not got a little off the beam in our cross examination of the witness.

Senator CONNOLLY (*Ottawa West*): I do not think so, Mr. Chairman. I have not been here during all of the discussion, but, generally speaking, in a committee of the Senate, while it is not the Energy Board, either the federal Energy Board or an energy board of any of the provinces affected, I think we want to satisfy ourselves on a number of things. Traditionally with these private pipe line bills, and they are all private, we have tried to look for certain information which justifies the project. I say this with deference to my colleague from Halifax North, but I think these things include engineering, financial capacity, market supply, and that kind of thing, and I think that if the project is a worthy project this kind of information should be made available to the committee. I do not think there is anything off line in the type of questioning that Senator Brunt is conducting. Perhaps I should ask a couple of questions here for my own information; and I say this with great respect to the Senator from Halifax North—perhaps he will think they are out of order, but I think they are in order.

Mr. LAWRENCE: May I state, Mr. Chairman, that those appearing here today completely agree with the remarks just made. We have felt; I have advised the principals before you today, that we should establish before you a *prime facie* case. In other words, we must make a case and show the ingredients which to us make sense; for instance, the primary ingredients which we believe to be, the huge reserves in northeastern British Columbia; the ability to put an express or trunk high capacity pipe line efficiently across 1200 miles of distance; and the actual growth of one of the most fantastic commercial areas in the world—the central United States. Now, we can establish before you that the central United States, by dint of studies made of the economics, and judged from our own general knowledge, is a commercial market; and, that from studies by experts, potential gas reserves of enormous size exist in the north; and we can establish the ability to raise a sensible figure to build a pipe line. We cannot put ourselves in the position of suggesting to you that there is a contract to be signed; but I do hope we can satisfy you, and I think it is our duty to do so, that these basic ingredients are sensibly there. Thank you.

Senator CONNOLLY (*Ottawa West*): May I go on from what Mr. Lawrence has said, and said so well? I think that Senator Thorvaldson did a very complete analysis of the general question of reserves, and no doubt those reserves are there. If they are not there, the Energy Board, either in British Columbia, or Alberta, or even in Ottawa, will tell to the contrary. As to engineering, I guess engineering is a commodity that is usually available. On the question of markets, do I understand, as I gather from the remarks Mr. Lawrence has just made, that you do not contemplate markets immediately in Canada, you are looking primarily to the American side of your markets?

Mr. LAWRENCE: Yes, sir.

Senator CONNOLLY (*Ottawa West*): How long a line are you going to run after you get to the Canadian border, in the United States?

Mr. LAWRENCE: The contemplation is that we, as it were, Polaris Pipe Lines, would not be running any line in the United States. It would be delivering through this pipe line gas at the Canadian-American border.

Senator CONNOLLY (*Ottawa West*): Yes, we know that; but what we are interested in is, who is it that is going to do this building in the United States? In other words, what is the financial organization behind the proposal that you bring us here?

Mr. LAWRENCE: There are no American corporations having any direct interests in the American end or the American extension of anything proposed to you today. Let me put it this way, that from market studies we see in the Chicago area the creation of a vacuum, as it were; in other words, a need, a future need, a developing need there, and there is no absence of capital and interest, broadly speaking, in the gas industry in the United States. Therefore we feel it is sensible to contemplate that either in association with Americans by contract or otherwise, the gas will move from the Canadian border into the markets that need it.

Senator CONNOLLY (*Ottawa West*): Now, I do not want to be rough in this question but do I understand this that what you have here, not in the bad sense of the word but in the good sense of the word, is a promotion—you have not got markets tied up in the States nor have you got any American capital or any American enterprise or organization which is ready to build the line from the American border to a given American market?

Mr. LAWRENCE: No, sir, we are perhaps in the situation I would think that many scores of railways found themselves in a generation or so ago.

Senator CONNOLLY (*Ottawa West*): Sure, last week in Gaspé.

Mr. LAWRENCE: Here in this case as distinct from some railways we do not feel that there can be a quarrel with the evidence we can make available from the Stanford Research people and Dr. Quirin's very lengthy studies that the central American market is expanding at such a rate that the need will be there when we are ready.

Senator McKEEN: In regard to the supply, have you any permission from the British Columbia Government to export the gas from that province?

Mr. LAWRENCE: My understanding is that under the present B. C. laws, and this goes back to Senator Reid's question earlier, that British Columbia does not have such a conservation board—Alberta does have a conservation board—therefore under the present concept, that is, the expressing of these reserves from British Columbia through to Saskatchewan, we are not drawing at the moment nor contemplating drawing gas from Alberta or Saskatchewan. Therefore we are not before those boards at the present time. In the absence of similar legislation to establish such a conservation board in British Columbia, and from conversations we have informally had, we feel therefore that the British Columbia Government will certainly place no obstacle in the way of export of this gas.

Senator McKEEN: Well, even if they do not have a conservation board in British Columbia they have a government in power out there that takes a pretty strong hand in what anybody does in that province.

Mr. LAWRENCE: In the reserve area one would ultimately contemplate that gas will also be drawn from that portion of the Northwest Territories which is geographically next to this northeastern corner of British Columbia. Again, without formality, I can feel sure, speaking on behalf of my principals, that the British Columbia Government, similarly to the Government of Canada, finds that there is no gain for the people of Canada in having vast reserves sitting underground and not going to market. The basic impetus behind decisions that would be made by the Canadian Government in the Northwest Territories and by the British Columbia Government will obviously be to move something that is underground so that it becomes dollars and cents.

Senator McKEEN: I agree that there is a surplus there but I just asked a question whether you made some contact because strange things have taken place.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, may I come back to the point I was leading up to, and I apologize for asking so many questions of Mr. Lawrence, you told us now you have no financial arrangements, made for the construction of a line from the Canadian border into a good American market. Now, what are the financial reserves upon which you rely for the construction of a line within Canada to the Canadian border?

Senator BRUNT: Mr. Chairman, I would just like to say this, that from information I have had, the answer to Senator McKeen is that I do not think there is a doubt in the world that British Columbia will be happy for you to take this gas but, might I ask, is it your intention to set up a subsidiary company to build a pipe line in the United States?

Mr. LAWRENCE: Perhaps Mr. Strong could deal with that question.

The CHAIRMAN: Mr. Strong is the witness who is to talk on general policy and financing.

Mr. Strong, can you give us some information on that?

Senator STAMBAUGH: Mr. Chairman, before you get into financial matters I would like to ask what reserves you figure are in that area, what are you guessing at, what are proven and what is your authority?

Mr. LAWRENCE: I am an Ottawa amateur in this field, and I will ask Mr. Saks to answer that as closely as he can.

Mr. SAKS: We started with the figures that were set out in the Borden Commission reports on energy some years ago and which have been brought up to date each year. They consist of estimates by the Canadian Petroleum Association, of estimates by certain producers such as British American and Shell Oil of Canada, and at the time they ranged from an ultimate potential in the area of 30 trillions to 80 trillions.

Senator STAMBAUGH: Are all these companies you mentioned interested in this territory?

Mr. SAKS: Yes, they are.

Senator STAMBAUGH: Up in the Fort Nelson area?

Mr. SAKS: In the general northern area, that is right.

Senator THORVALDSON: The trillions you referred to mean trillion cubic feet?

Mr. SAKS: Yes.

Senator BRUNT: That is the potential.

Senator STAMBAUGH: That is an estimated figure. Now, what would you consider as proven?

Mr. SAKS: Take as an example what is considered to be possibly the world's largest gas well, Pan-American Beaver River, it is a tight hole, and information is confidential and cannot be released for a year from the conservation board. That one well alone, it is considered, could have reserves of somewhere about half a trillion to three-quarters of a trillion cubic feet, under one thousand acres.

Senator STAMBAUGH: I heard about that one but, as you say, nobody seems to know anything about it exactly.

Mr. SAKS: That is correct. I can assure you that a company such as Pan-American, which has somewhere between 2 million and 6 million acres in the general area we are speaking about is not going to give out any more information than they can.

Senator STAMBAUGH: And your estimate is pretty much made on that one well?

Mr. SAKS: No, there are three wells exactly, and there is a follow-up well going into the Northwest Territories now and it should, and geologists say that it could be one of the world's greatest gasfields.

Senator BRUNT: Have you any kind of an overall estimate of the potential reserves that are there now?

Mr. SAKS: I have been given figures on reserves by one or two of the companies which are again on a confidential basis, but there is one company which controls about 1,500,000 acres and one of the very prominent firms of consultants have estimated that they could have between 6 to 10 trillion under their holdings of acreage alone.

Senator BRUNT: But you have no information on the amount of gas that is available right now?

Mr. SAKS: No, I am afraid I do not have. I have been relying on the material supplied, for example, by West Coast Transmission to the National Energy Board, which shows their reserves, plus the reserves of the National Energy Board.

Senator CONNOLLY (*Ottawa West*): Would West Coast be drawing on these areas too?

Mr. SAKS: Not at the present time, but eventually it is possible, if they have very large incremental market growth, but unless it is extremely large it would not be economic for them to do so, in our judgment.

Senator BRUNT: Would you care to make an estimate of what is there now?

Mr. SAKS: This is exclusive of the Pan American acreage, because we are hopeful of what is there. I would say there is probably 5 trillion at least.

Senator HOLLETT: Could you relate a trillion cubic feet of gas to something I, at least, could understand?

Senator THORVALDSON: When you say "5 trillion" do you mean 5 trillion proven?

Mr. SAKS: Yes, proven.

Senator THORVALDSON: You are not talking about potential?

Mr. SAKS: No.

Senator THORVALDSON: But proven reserves?

Mr. SAKS: Yes.

Senator BRUNT: I should have said "proven."

The CHAIRMAN: Could you answer Senator Hollett's question?

Mr. SAKS: Yes. I might use an example. I have a little knowledge of the Trans-Canada situation. It has changed in the last year or so, but in order for Trans-Canada to be in a position to sign firm 20-year sales contracts to supply markets, which it was estimated would grow from about 300-odd million a day, to start with, and to eventually take care of the requirements of their system across Canada, from the Saskatchewan-Alberta boundary to the city of Montreal—it was estimated that they would need, in order to give a continuing supply over that period of time, in the order of 4.35 trillion cubic feet.

Senator HOLLETT: That is for one year?

Mr. SAKS: No, for 20 years.

Senator HOLLETT: Thank you very much.

Senator STAMBAUGH: That is a very good explanation.

The CHAIRMAN: Mr. Strong is going to answer questions on financing and general policy. Senator Connolly and Senator Brunt asked some questions with respect to financing. Would you care to talk to us about that, Mr. Strong?

Mr. Maurice F. STRONG, President, Canadian Industrial Gas: Mr. Chairman and honourable senators, I shall try to answer the questions, as I recall them, but please forgive us if we are a little nervous before this august body.

Senator COXNOLLY (Ottawa West): Don't be nervous; and we shall ask the questions again if need be.

Senator BRUNT: We are free-wheeling organization.

Mr. STRONG: We are not professional witnesses.

The financing of a project of this type divides itself into roughly two broad categories: the development money, the money it takes to get to the point of appearing here today. This numbers thousands of dollars, and an extensive amount of money must be spent before you are even in a position to appear before the National Energy Board and the equivalent American bodies. This can run anywhere from \$2 million to \$5 million. Until you have reached this stage you have no assurance the project will in fact materialize. This is the risk money. This is the kind of money that is in fact available from our organization. We are not a large company, but I believe any analysis of our financial situation would demonstrate our capability of providing that amount of money.

The CHAIRMAN: When you say "our" who do you mean?

Mr. STRONG: Canadian Industrial Gas Limited.

Senator BRUNT: You say, the "risk money" runs between \$2 million and \$5 million?

Mr. STRONG: This is an estimate.

Senator BRUNT: This is an estimate?

Mr. STRONG: Yes.

Senator BRUNT: It is proposed that Canadian Industrial Gas put this money up?

Mr. STRONG: At the moment Canadian Industrial Gas is putting this up. We have had a large number of companies, including Canadian independent groups, approach us when they heard we were interested in this project, and they have indicated their desire to put up some of this speculative money. If we wanted to share that burden, it would not be difficult to do.

Senator BRUNT: Do you think that Canadian Industrial Gas Limited can put up this amount of money?

Mr. STRONG: Yes.

Senator BRUNT: I understand they have only assets of \$3½ million.

Mr. STRONG: I can only say that at the present time the estimated evaluation of our assets is approximately \$12 million, based on the market price of our securities and the prices at which equivalent properties are changing hands.

Senator BRUNT: Then I have not the correct information and I apologize for using that figure. Do you feel that Canadian Industrial Gas can put up, if necessary \$5 million?

Mr. STRONG: Yes, but I would say that it is very unlikely in a substantial project of this nature, that we would do it alone. At this point we do have another very substantial company that has offered to put up 50 per cent of the money.

Senator BRUNT: Are you free to give us the name of the company?

Mr. STRONG: Well, sir I would prefer not to, for competitive reasons, but—

Senator HORNER: I do not think that is important.

The CHAIRMAN: No. Is it a Canadian-controlled company?

Mr. STRONG: Yes.

Senator CONNOLLY (*Ottawa West*): Is it an oil company?

Mr. STRONG: No, but we have had discussions with a number of major producing companies which have indicated they would like to participate in this. We desire to keep this as much a Canadian operation as it is possible to do.

Senator CONNOLLY (*Ottawa West*): But your prospective partner is a financial organization, is it?

Mr. STRONG: Yes.

Senator BRUNT: Is that company you have in mind a substantial shareholder in your own company?

Mr. STRONG: One of the companies we have in mind is, sir.

Senator ISNOR: What amount have you put up so far?

Mr. STRONG: Might I say that Mr. Saks, who was previously sales manager, supply manager and secretary of Trans-Canada has had a good deal of experience both in the negotiation of supply and sales contracts, and he has been with us for approximately two years. I would not care to tell you what we pay him exactly, but his principal preoccupation has been doing the ground work involved in bringing the project to this point. In addition, we have had rather extensive preliminary engineering reports. I would say we have spent something in the order of \$50,000 to \$100,000, depending on how we allocate these costs, to get to this point.

Senator CONNOLLY (*Ottawa West*): Have you any plans for selling a major part of your interest in a charter, if you should be given one by Parliament?

Mr. STRONG: No, as a matter of fact, we could have, at lesser cost than we have expended to date, acquired a charter from someone else who had one available. We determined, after a considerable amount of thought on this subject, that with a project of this magnitude, despite the competitive disadvantages of having to expose at this stage more information than is in our interest to—we felt it best to come and apply for a new charter.

Senator BRUNT: Your company is Canadian controlled?

Mr. STRONG: Yes.

Senator BRUNT: And a company that is a substantial shareholder in your company, that you have had discussions with, is it Canadian controlled?

Mr. STRONG: Yes, it is my understanding that it is. We requested that information from them prior to coming here, and they informed us they are Canadian controlled.

Senator CONNOLLY (*Ottawa West*): Even if your plan in respect of financing the construction in Canada is carried out, you still have the key part of your project to finance, namely, from the American border to the American market—isn't that so?

Mr. STRONG: Yes sir. The money which we have spent, which we have referred to here as being our estimate of preliminary expenses, that is, the money which would be spent in the course of establishing the ultimate financeability of the project.

Senator CONNOLLY (*Ottawa West*): In Canada?

Mr. STRONG: In Canada and the United States, depending on the arrangement which must be made. It would be my hope, though it is not happening too much today, that we would see an American pipe line controlled by a Canadian company, for a change. We would not like to preclude that possibility.

Senator BRUNT: We have pipe lines controlled by Canadian companies today. If that finishes the discussion with respect to development money, would you tell us something about the actual estimated cost of the construction of the pipe line?

Mr. STRONG: Yes, sir. The estimated cost of construction of the pipe line to the Saskatchewan border is \$400 million.

Senator STAMBAUGH: Is that for a 30-inch pipe line?

Mr. STRONG: A 36-inch pipe line.

Senator BRUNT: \$400 million. Have you any even preliminary plans as to how you would finance this, between bonds and debentures or preferred stock?

Mr. STRONG: The senator will know that one of the risks inherent in this stage of the proposition is the ability to demonstrate financing, which we cannot do at this moment. We cannot demonstrate that the project has got to the point where it will satisfy the institutions which would provide the backbone of the debt money. My best estimates are that approximately 75 per cent of the funds will be raised in the form of the sale of first mortgage bonds and debentures; and that the remaining 25 per cent will be raised by the sale of equity securities, both preferred and common shares.

Senator BRUNT: Have you any idea at the present time as to how you might break that down?

Mr. STRONG: Between preferred and common?

Senator BRUNT: Yes?

Mr. STRONG: We do not have any specific proposal. A lot of this is not under our control and would depend very much on our negotiations with investment firms, with regard to market conditions, as to whether preferred or common shares would be more attractive to purchasers at that time.

Senator BRUNT: I presume it is your intention to endeavour to keep, as far as you can, control on the Canadian side, that Canadians own the common stock?

Mr. STRONG: This is absolutely true, sir. This is one of our principal purposes. We are Canadians ourselves and we have taken the attitude that these projects of national significance should be and can be undertaken by Canadians and should be under Canadian financial control.

Senator BRUNT: On an estimated cost of a pipe line at \$400 million and a cost of, say, four million dollars in development money, have you any estimate as to the annual volume of sales which would be necessary?

Mr. STRONG: I am not an expert witness on this. I can say that we have estimated it would start in the vicinity of 600 million cubic feet a day—I understand this now from an expert witness on this phase—increasing to just under one billion, that is, increasing to 950 million cubic feet a day.

Senator BRUNT: Have you made any estimate of the percentage return on the capital invested, for say, five years' operation?

Mr. STRONG: We have various estimates of what returns could be expected, under a great multitude of different conditions. I would not like to pick any particular one and say that it would be representative. There are so many combinations of financing and volume and cost that I do not think I could readily pick any particular one.

Senator CONNOLLY (*Ottawa West*): Of course, your discussion so far, particularly in answer to Senator Brunt, has been on the basis that your cost is going to be roughly \$400 million to build the pipeline to the Canadian border?

Mr. STRONG: Yes, sir.

Senator CONNOLLY (*Ottawa West*): But that is only half the project. What is the cost for the other half—from the border to the American market?

Mr. STRONG: We have made our best estimates on that. If you assume—and I use this for the purposes of illustration only—that the best means of

serving the additional market were to build a pipe line from that pick-up point on the Canadian border, say to Chicago, this would require an expenditure of an additional \$200 million, as estimated.

Senator HORNER: It could be sold at the border to an already existing pipe line.

Mr. STRONG: Yes, but we have an estimate of what it would cost to build such a pipe line.

Senator CONNOLLY (*Ottawa West*): Whether you build it or somebody else builds it, the cost of it ultimately has to be recovered from the sales, so it does not matter whether you or someone else builds it. Therefore, it is a \$600 million project that you have to talk about.

Mr. STRONG: It could well be a \$600 million project, sir. We could come up with different estimates based on different sets of conditions, but in our opinion at this stage, this would represent a fair order of magnitude as an estimate of the total cost of the project.

Senator CONNOLLY (*Ottawa West*): No one in the United States has agreed to do that part?

Mr. STRONG: We have not asked such an agreement. We would consider it a project on which at this point in its development it would be premature to ask for firm contracts for that sort of thing.

Senator BRUNT: Have you had discussions with anyone in the United States could you tell me?

Mr. STRONG: We have had discussions, as Mr. Saks has indicated, with potential marketers, but as to whether or not they would build a line or we would build a line, this, of course, has not been established. We do not, in fact, have sales contracts with them at this point, nor would it be really possible for us to have such contracts when we do not have a corporate entity with which to approach them.

The CHAIRMAN: Are there any further questions of Mr. Strong on matters of financing or matters of general policy?

Senator ISNOR: That would mean that your line in the United States would be an additional thousand miles long, roughly?

Mr. STRONG: Well, the actual distance from that point, if you were to use Chicago as a point of reference—if it were to go to Chicago it would be another eight hundred miles.

Senator CONNOLLY (*Ottawa West*): Suppose Parliament gives you a charter. Are you in a position, before you get approval for a project of this character from the National Energy Board and from the appropriate provinces, to sell securities issued by this proposed company?

Mr. STRONG: Legally, I do not know whether that would be possible or not. If it is a legal point perhaps our solicitor could answer that, but generally speaking I do not believe it has been the practice to offer securities of a speculative nature like this to the public. On the other hand, I do not think we would be precluded from sharing the risks on this.

Senator CONNOLLY (*Ottawa West*): You can see why I am asking the question, Mr. Lawrence. I think the Senate committee is in this position, that you may have a valid project here but obviously at this state it is still very nebulous. I do not think we want to authorize the incorporation of a company which would go out and sell securities when the project is still as nebulous as it is.

Senator HAYDEN: My friend is assuming that the securities commissions across Canada are going to approve of nebulous plans.

Senator CONNOLLY (*Ottawa West*): That is precisely what I want an answer on.

Mr. LAWRENCE: I do not think a prospectus written subject to the National Energy Board's approval would pass any security commission, quite apart from the intelligence of an investor. It would be a rather strange prospectus.

Senator CONNOLLY (*Ottawa West*): You cannot rely upon that too much.

Mr. LAWRENCE: Senator Connolly, the whole essence and concept of this is that the corporation cannot make a profit until it is capable of delivering at the border, which means its securities have no essential value at all until it has this National Energy Board permit for export. It is in a little different position from that of a corporation which might be selling in Canada at the same time as it was interested in the United States. One point arises generally out of your question, Senator Connolly, and yours, Senator Brunt, upon which I would like to submit comment on behalf of this project, is that as Canadians it has something unique about it for us. The reserves which it hopes to tap are, broadly speaking, owned by other than Canadians. The market which it hopes to reach is the American market. Now, it would be quite possible, I presume, for people to come before you representing foreign-controlled reserves and display tremendous stability based on those reserves. I am directing myself here to Senator Brunt's question. It would also be possible for a group in the United States controlling large American markets to come before you with great present financial stability. But, there is great advantage for Canadians to have themselves interposed between, and not directly controlled by, either the internationally owned or controlled reserves or the American controlled markets. So, what may appear to be a lack of substance equates itself quickly to being, I would suggest, a very great benefit to Canadians who will interpose a Canadian owned transmission or transportation system between non-Canadian controlled reserves and non-Canadian markets. This is a unique advantage, I suggest.

Senator BRUNT: I think the witness has cleared up this matter of bringing the public into any wildcat scheme because he has stated that his company, Canadian Industrial Gas Limited, is prepared to put up between \$2 million and \$5 million of development money. Once the development money is spent, as I understand it, you know that you have the reserves and that you have the market and are in a position to build a pipe line and tell the public what your sales will be and what you expect your percentage return on invested capital will be. That is why I was not so particularly concerned about this wildcat money, so to speak, because am I not correct in understanding that you stated that that would be all put up by Canadian Industrial Gas Limited?

Mr. STRONG: Yes, and I may say with respect to selling stock that there are many vehicles which can be obtained at a small price for doing something like that. The matter of selling speculative securities to the public would not require this kind of vehicle.

Senator HAYDEN: You would not build such a superstructure if that was the case? This is genuine proposition on a large scale.

Mr. STRONG: As a matter of fact, our solicitors informed us yesterday that the fee for incorporation alone is somewhere around \$10,000 or \$12,000.

Mr. LAWRENCE: That is not the legal fee, Senator. That is the fee in the House of Commons.

The CHAIRMAN: I am sorry to hear that, Mr. Lawrence. Are there any further questions?

Senator BRUNT: Are we going to look at the bill clause by clause?

The CHAIRMAN: Yes, we are going to look at the bill clause by clause because there are a number of amendments, and our law clerk says that there are many improvements in it over bills passed in former years.

Senator HAYDEN: Are we going to do that now?

The CHAIRMAN: Yes, unless there are other questions.

Senator GERSHAW: The counsel for the province of Alberta is here. If you will give him two minutes he will place on the record the position of that province.

The CHAIRMAN: Who is that, Senator?

Senator GERSHAW: It is Mr. Frawley.

The CHAIRMAN: Do you wish to address the committee, Mr. Frawley?

Mr. J. J. FRAWLEY, Q.C., Government of the Province of Alberta: I would like the privilege of saying a few words.

The CHAIRMAN: Yes. Does the committee agree?

Some Hon. SENATORS: Agreed.

Mr. FRAWLEY: Mr. Chairman and honourable senators, I am the resident counsel in Ottawa for the Province of Alberta. I came here this morning to obtain assurance that this pipe line would be available to pick up gas in Alberta. Mr. Saks' statement gave me that assurance pretty well. My friend, Mr. Lawrence, used the word "express", and that frightened me a little bit. An express line might be a non-stop line, and our concern is that our gas—and we have lots of it and there will be lots more—that this line should be available to pick up our gas as it is available, and under economic conditions, of course. We submit that the line should not be in the full sense of the word an express line that would highball across our province and not stop for any pick-ups. Now, we otherwise do not oppose the incorporation of the company or the building of the line. We will leave that in the hands of Parliament. All we want are the assurances of these reputable gentlemen. We want to be quite sure and feel easy that this rather unusual project of an express line without a pick-up will be acceptable, and that this pipe line will be available for our gas under conditions set by the National Energy Board, and all the rest of it. At the moment I simply want the assurance of the promoters, the principals, that it will not be a non-stop line.

Senator BRUNT: Well, isn't there one other point, Mr. Frawley? Don't you want the gas to be available to the residents of Alberta?

Mr. FRAWLEY: Yes, and I think there is something in the National Energy Board Act that will control that. I think that perhaps it could not be in the full sense of the word a non-stop line, and I don't think my friend Mr. Lawrence intended to convey that thought, but the use of the word was, shall I say, a little frightening.

Mr. LAWRENCE: The reason I used the word "express" is that from an efficient financial and engineering point of view, having such a large pipe line has the advantage that it can carry terrific volumes for 1,200 miles. I know that Mr. Strong and Mr. Saks can give complete assurance that the concept is based upon the efficiency of the long jump, but this does not exclude the other aspects you spoke of, sir. I think Mr. Strong could confirm this.

Mr. STRONG: I am pleased to say that we heartily endorse this gentleman's statements. Those of you who have looked at our map will see that our estimated area of reserves includes northeastern British Columbia, the north-west portion of Alberta, and the Northwest Territories. As Alberta residents

ourselves, and with our principal interests at this point in the province of Alberta, you may be sure that we share the desires of the province of Alberta.

Senator HOLLETT: Is that provided for in the bill?

Mr. STRONG: Our counsel advised us that it was unnecessary to make specific provisions of this nature in the bill because provision is made for it in the appropriate Alberta legislation and federal legislation.

Mr. FRAWLEY: It is simply more than picking up our gas in the north-western corner of Alberta. There may be gas developing along the foothills and elsewhere, and we would like to have access to your line made available.

Mr. STRONG: Yes.

Senator STAMBAUGH: Won't this be something similar to the Interprovincial Pipe Line in regard to oil, in that you can pull in from any place along the line? Of course, if you want to take it out of Alberta you have to have permission from the Alberta Conservation Board.

Mr. STRONG: Yes.

Senator STAMBAUGH: But, so far as you are concerned, you can take this pipe line anywhere along if you have permission of the Alberta Conservation Board.

Mr. STRONG: Yes, any export of gas from Alberta would have to be approved by the Alberta Conservation Board, and we would certainly seek that approval if we wanted to do that.

Senator HAYDEN: Having regard to what Mr. Frawley has said, you could approach the Alberta Conservation Board with confidence and they would approve picking up Alberta gas.

The CHAIRMAN: Should we consider the bill section by section?

Senator BRUNT: It is eight minutes to one and I don't think we can get through before lunch. I suggest we adjourn and meet when the Senate rises this afternoon.

Senator HAYDEN: Why not reassemble at two o'clock?

The CHAIRMAN: Two o'clock would suit me better.

Senator REID: I move that we adjourn until two o'clock.

The committee thereupon adjourned until 2 p.m.

Upon resuming at 2 p.m.

The CHAIRMAN: Honourable senators, we have a quorum. At the time we adjourned I think it was agreed that when the committee resumed we would deal with the bill clause by clause.

As the committee will recall, I read the Law Clerk's memorandum when we began this morning stating that this bill is similar to a great number of other pipe line bills we have passed in previous years, except for certain improvements which have been made in some of the sections. Those have been made by collaboration between our Law Clerk and Mr. S. F. M. Wotherspoon, Q.C., who is one of the counsel for the promoters of this bill. There is a memorandum which sets out in detail the changes that have been made, and I understand that copies will be available in a minute or two. Perhaps for the moment we can proceed with the consideration of the bill section by section, pending the arrival of these copies.

Senator HAYDEN: Is any change in section 1 proposed?

The CHAIRMAN: No, section 1 is not changed. Shall section 1 carry:
Carried.

The CHAIRMAN: In subsection (1) of section 2 there is no change. Shall subsection (1) carry?

Carried.

The CHAIRMAN: Now, subsection (2) of section 2. Perhaps if Mr. Wotherspoon will come forward he can help us as we go along. The only change in subsection (2) is in reference to directors, that they shall be persons resident in Canada and Canadian citizens. What was the previous wording, Mr. Wotherspoon?

Mr. S. F. M. WOTHERSPOON, Q.C., Counsel for Polaris Pipe Lines: That section in effect has not appeared in previous pipe line bills. Previous pipe line bills incorporated section 155 in Part III of the Companies Act, and that section of Part III of the Companies Act, which applies to all companies incorporated by special act, provides that the majority of directors shall be Canadian residents and British subjects. We felt that this should be more restrictive than the Companies Act and provide that they be Canadian citizens, not just British subjects.

Senator STAMBAUGH: All the directors?

Mr. WOTHERSPOON: No, the majority.

The CHAIRMAN: Shall subsection (2) of section 2 carry?

Carried.

The CHAIRMAN: Subsection (1) of section 3, there is no change. That is with reference to capital stock. Shall it carry?

Carried.

The CHAIRMAN: Subsection (2) of section 3. There are some changes in language with regard to the preferred stock. Perhaps you could explain that, Mr. Wotherspoon.

Mr. WOTHERSPOON: In previous pipe line bills there have been references to the preferred shares being issued in classes, and then in the same bill it will refer to series. There is a very small technical difference between a class of preferred stock and a series of preferred stock, and these bills have always been inconsistent in that respect.

Senator HAYDEN: There is no change?

Mr. WOTHERSPOON: That was one change.

Senator BRUNT: What is the difference between "class" and "series"?

Mr. WOTHERSPOON: That is something, Senator Brunt, about which I read law for an hour or so, and I cannot give you an answer. It is not readily available. There is a slight difference in the use of the phrase in the Canadian Companies Act.

The CHAIRMAN: I think perhaps you can say there is this difference, that you have preferred shares issued in series. They would be, say, first preferred shares. The one would bear a dividend of five per cent, and the other six per cent, but they would all rank equally; whereas a class of preferred stock might have a first as against a second ranking behind the first preferred.

Mr. WOTHERSPOON: The only kind of difference I can find in the Companies Act itself, Mr. Chairman, is a reference that in series they must be preferred as to dividend.

The CHAIRMAN: Yes.

Mr. WOTHERSPOON: Whereas in classes they do not necessarily have to be preferred as to dividend. It is a rather technical difference.

Senator BRUNT: Is there any difference as to preference on winding up?

Mr. WOTHERSPOON: That would be covered in the normal preference stock conditions themselves.

The CHAIRMAN: In winding up if preferred shares are issued in series they would rank equally; if they are issued in classes, such as first preferred, second preferred, third preferred, then of course the first preferred would rank ahead of the second preferred and so forth.

Mr. WOTHERSPOON: This is a tightening up of the language.

The CHAIRMAN: There is another change?

Mr. WOTHERSPOON: In previous pipe line bills the latter part of what corresponds with this section is in fact what made it possible to have the shares non-voting, and in the actual phraseology of the sections as they appear the word "voting" did not appear, also the word "capital" was by itself, and preference as to capital does not really mean anything, so I adopted the phraseology of the Companies Act and used "dividends, voting, return of capital or otherwise". It is purely a matter of draftsmanship.

The other point is that previous pipe line bills have referred throughout to meetings of common shareholders. There may be cases where the preferred shareholders have an equal vote with the common shareholders and this would raise a question in my opinion as to who could vote at the meetings, so throughout when I refer to meetings I refer to meetings of shareholders.

The CHAIRMAN: You take all votes cast at a general meeting of the shareholders.

Mr. WOTHERSPOON: That is right, and whatever classes of shareholders are entitled to vote at that time would vote at the meeting.

Senator HAYDEN: Mr. Chairman, is the witness giving us changes in the drawing up of the bill, or are these amendments?

The CHAIRMAN: They are simply explaining what changes have been made in this bill from previous pipe line bills we have passed.

Senator REID: There are no amendments being made at all?

The CHAIRMAN: No.

Shall subsection (2) of section 3 carry?

Carried.

In subsection (3) there is a little change in phraseology.

Mr. WOTHERSPOON: This is carrying out the previous point I made.

The CHAIRMAN: Shall the subsection carry?

Carried.

Shall subsection (4) of section 3 carry? There is the same change here about the right to vote at meetings of shareholders.

Shall the subsection carry?

Carried.

Subsection (5). There is nothing changed substantially there, is there, Mr. Wotherspoon?

Mr. WOTHERSPOON: The opening words I have added. In previous pipe line bills the procedure of passing a by-law was only there by implication. I have spelt it right out.

The CHAIRMAN: Shall subsection (5) carry?

Carried.

Subsection (6). There is a change here, right of redemption or purchase for cancellation.

Mr. WOTHERSPOON: Previous pipe line bills have incorporated the present section of the Dominion Companies Act as to what happens when a preferred

share is redeemed. I have adopted here the phraseology that is in the present Ontario Companies Act and which also, since I drew this, has been published in the new draft uniform Companies Act for Canada, and I believe that most lawyers and accountants throughout Canada feel that this is a much better method than the other way.

The CHAIRMAN: I think that all of us who are practising lawyers will agree with you, that it is best to escape from section 61 of the Dominion Companies Act if we can.

Mr. WOTHERSPOON: Right.

Senator BRUNT: Were any of these changes discussed at all with the companies' branch of the Department of the Secretary of State?

Mr. WOTHERSPOON: Not on this bill, no, sir.

The CHAIRMAN: They were all cleared with our law clerk.

Senator BRUNT: Yes.

The CHAIRMAN: Shall subsection 6 of section 3 carry?

Carried.

The CHAIRMAN: Section 4?

Senator BRUNT: I wanted to ask a question about section 4. As near as I could gather from all the evidence given this morning, it is not the present intention of this company to go into the United States, but that under this bill they propose going to the Canadian-United States border and stopping there. Why the necessity for opening offices in the United States? I am sure there is a very good reason for that.

Mr. WOTHERSPOON: So far as the wording of this section is concerned, it is entirely up to me, and I never discussed this with my clients at all. This section is in identical wording to the last 27 pipe line bills, in the first place. Secondly, it is the same wording as section 21 of the Companies Act which applies to all Letters Patent of companies. Thirdly, in my opinion—and this would be expressing a legal opinion—it would follow anyway that a company could have an office outside of Canada.

The CHAIRMAN: Shall we make this the 28th then? Shall Section 4 carry?

Carried.

The CHAIRMAN: Section 5, there is a change there, is there not?

Mr. WOTHERSPOON: The previous pipe line acts referred to the National Energy Board Act and any other general legislation relating to pipe lines enacted by Parliament, and then they went on to say, "with respect to the transportation of oil and gas and other liquid or gaseous hydrocarbons." In paragraph 6 I have extended that. When I was first asked to draft the bill I started by taking a couple of the old bills, now acts, as they are now, and the National Energy Board Act. I found that all the previous bills have referred only, in effect, to transporting hydrocarbons through the pipe lines, whereas the National Energy Board Act is already dealing specifically with sulphurs. Then I asked my clients as to whether there was any problem in connection with this. At the present time there is a possibility of a great technological break-through as to what you can put through a pipe line.

The CHAIRMAN: Other more or less solid substances might be carried?

Mr. WOTHERSPOON: Yes. I understand that coal is going through a fairly short pipe line down in the Philadelphia area. Therefore, it did not seem wise to spell out hydrocarbons when some technological break-through might come about.

The CHAIRMAN: Do you agree, Mr. Hopkins?

The LAW CLERK: Entirely, yes.

The CHAIRMAN: Shall section 5 carry?

Carried.

The CHAIRMAN: Section 6:

“The Company, subject to the provisions of any general legislation relating to pipe lines enacted by Parliament,”

I think you have taken out some wording about the receipt and transportation of oil or gas?

Mr. WOTHERSPOON: Yes. I left out some of the detail that has been provided in previous pipe line bills, such as being able to put in pumping stations, because it seemed to be unnecessary verbage. If you are running it, automatically, you do not need a provision to put in a pumping station.

The CHAIRMAN: Shall section 6 (a) carry?

Carried.

The CHAIRMAN: Shall section 6 (b) carry?

Carried.

The CHAIRMAN: Shall section 6 (c) carry? There is no change.

Carried.

The CHAIRMAN: On section 7 you have added, I gather, certain additional sections of the Companies' Act which are to apply to this company.

Mr. WOTHERSPOON: Yes, would you like me to explain it?

The CHAIRMAN: I do not know that it is necessary, if you and the law clerk agree that they are pertinent—unless any members of the committee desire more information.

Senator BRUNT: We might have a short explanation as to why it was done.

Mr. WOTHERSPOON: Perhaps the best way to explain that is that when dealing with both sections 7 and 8, when I first started drafting the bill, I discovered a terrific inconsistency in at least the majority of existing pipe line bills, in that they have incorporated a section of the Companies' Act which provided that if one wants to change the head office that must be done by a bylaw and it must be approved by unanimous vote of the shareholders; whereas there is a special section in the act a page before that which says that a two-thirds vote will carry. I do not know what happens if one wants to change the head office, which section will apply. However, that started me going through the technicalities of improvement. I took every section of the Companies' Act and considered whether or not it should apply to a pipe line bill and I went over it with Mr. Hopkins.

Carried.

The CHAIRMAN: Section 8 is along the same lines—part 3 of the Companies' Act.

Carried.

The CHAIRMAN: Section 9 is a new section.

Mr. WOTHERSPOON: It is new because I have included the section of the Companies' Act which provides for a company to issue share warrants and it is necessary to make a specific reference to it because of the wording of the section.

The CHAIRMAN: Section 35 of the Companies' Act?

Mr. WOTHERSPOON: Yes sir.

Carried.

The CHAIRMAN: Section 10 provides for stock dividends. It is substantially similar to the Companies' Act.

Mr. WOTHERSPOON: This is the same as the Companies' Act but I did not find it practicable to adopt the exact language by incorporating exactly section 83(3). In my opinion it is always desirable for a company to have the right to have stock dividends.

Senator BRUNT: It is very desirable from the shareholders' point of view.

The CHAIRMAN: Except from the point of view of income tax.

Carried.

The CHAIRMAN: There is no change in section 11. It is the usual description. Shall section 11 carry?

Carried.

The CHAIRMAN: Shall the preamble carry?

Carried.

The CHAIRMAN: Shall the title carry?

ask Senator STAMBAUGH: Mr. Chairman, just before we finish I would like to ask a question of either Mr. Saks or Mr. Strong for my own information.

The CHAIRMAN: Yes.

Senator STAMBAUGH: I notice that the pipe line goes from Edmonton down to Wainwright. Does it go right through Wainwright? Your pipe line after it leaves Edmonton seems to follow the C.N.R. down to Wainwright.

Mr. STRONG: It does not go into Wainwright as such. It passes near Wainwright. Mr. Saks, do you know the exact distance from Wainwright? We have never considered the matter from the point of view of its distance from Wainwright.

Senator STAMBAUGH: I have another question. I notice that you are running right through the Kinsella and Viking gas fields of Northwest Utilities. Are you following their main pipe line?

Mr. STRONG: No, sir.

Senator STAMBAUGH: There is no connection there?

Mr. STRONG: That is a coincidence, sir. We looked for the most direct and economical route.

Senator STAMBAUGH: Then, after Wainwright you cross south to the C.P.R. and run southerly to Macklin?

Mr. STRONG: Yes, sir.

The CHAIRMAN: Are there any further questions? Shall I report the bill without amendment?

Some hon. SENATORS: Agreed.

The committee thereupon adjourned.



Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts.

The Honourable HAROLD J. CONNOLLY (*Halifax North*)
Acting Chairman

THURSDAY, MARCH 22nd, 1962

WITNESSES:

The Honourable Leon Balcer, Minister of Transport; Mr. G. A. Scott, Assistant Deputy Minister of Transport; Mr. S. F. Dingle, Systems Vice-President, Canadian National Railways; Mr. A. V. Johnston, Chief Engineer, Canadian National Railways.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

* Aseltine	Gladstone	Monette
Baird	Gouin	Paterson
Beaubien (<i>Provencher</i>)	Hayden	Pearson
Bishop	Hollett	Power
Blois	Horner	Quart
Bouffard	Hugessen	Reid
Bradley	Isnor	Robertson
Brunt	Jodoin	Roebuck
Buchanan	Kinley	Smith (<i>Kamloops</i>)
Campbell	Lambert	Smith (<i>Queens-</i>
Connolly (<i>Halifax</i>	Lefrançois	<i>Shelburne</i>)
<i>North</i>)	* Macdonald (<i>Brantford</i>)	Stambaugh
Connolly (<i>Ottawa</i>	Macdonald (<i>Cape</i>	Taylor (<i>Westmorland</i>)
<i>West</i>)	<i>Breton</i>)	Thorvaldson
Dessureault	McGrand	Veniot
Dupuis	McKeen	Vien
Emerson	McLean	Woodrow—49.
Farris	Méthot	
Gershaw	Molson	

50 members

(Quorum 9)

* *Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 15, 1962.

Pursuant to the Order of the Day, the Honourable Senator Methot moved, seconded by the Honourable Senator Choquette, that the Bill C-67, intituled: "An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Méthot moved, seconded by the Honourable Senator Choquette, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, March 22, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10.30 a.m.

Present: The Honourable Senators Aseltine, Bradley, Buchanan, Connolly (*Halifax North*), Dessureault, Dupuis, Gershaw, Horner, Isnor, Kinley, McLean, Quart, Smith (*Queens-Shelburne*), Thorvaldson, Veniot and Woodrow—16.

In attendance: The Official reporters of the Senate.

In the absence of the Chairman of the Committee and on Motion of the Honourable Senator Aseltine, the Honourable Senator Connolly (*Halifax North*) was elected Acting Chairman.

The following Bill was read and considered.

Bill C-67, An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts.

On Motion of the Honourable Senator Thorvaldson, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of their proceedings on the said Bill.

Heard in explanation of the Bill: The Honourable Leon Balcer, Minister of Transport; Mr. G. A. Scott, Assistant Deputy Minister of Transport; Mr. S. F. Dingle, System Vice-President, Canadian National Railways; Mr. A. V. Johnston, Chief Engineer, Canadian National Railways.

In attendance but not heard: Mr. Jacques Fortier, Q.C., Counsel, Department of Transport; Mr. Graham Macdougall, Q.C., General Counsel, Canadian National Railways.

It was RESOLVED to report the said Bill without any amendment.

At 11.30 a.m. the Committee adjourned to the call of the Chairman,

Attest.

Gerard Lemire,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, March 22, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill C-67, intituled: "An Act to authorize the Construction and Operation on behalf of Her Majesty of a line of railway in the Province of Quebec between Matane and Ste. Anne des Monts", have in obedience to the order of reference of March 15, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

HAROLD J. CONNOLLY,
Acting Chairman.

THE SENATE

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Thursday, March 22, 1962.

The Standing Committee on Transport and Communications to which was referred Bill C-67, an act to authorize the construction and operation on behalf of Her Majesty of a line of railway in the province of Quebec between Matane and Ste. Anne des Monts, met this day at 10.30 a.m.

Senator HAROLD CONNOLLY (*Acting Chairman*), in the Chair.

On a motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The ACTING CHAIRMAN: I am instructed, gentlemen, that the minister intends to be present, and will be here in a moment or so.

Senator ASELTINE: Perhaps we should wait a moment or two.

The ACTING CHAIRMAN: I was going to suggest that in deference to, and out of courtesy, perhaps we should wait until the minister arrives.

Some Hon. SENATORS: Agreed.

The ACTING CHAIRMAN: Perhaps I might mention, honourable senators, that there is a number of witnesses present this morning in addition to the minister, and perhaps honourable senators would be interested in having their names in advance.

Present today are:

Mr. G. A. Scott, Assistant Deputy Minister of Transport;

Mr. Jacques Fortier, Counsel for the Department of Transport;

Mr. S. F. Dingle, System Vice President of Canadian National Railways;

Mr. A. V. Johnston, Chief Engineer of Canadian National Railways;

Mr. Graham Macdougall, Q.C. General Counsel for the C.N.R.

Senator DUPUIS: Mr. Chairman, I wonder if the members could have a sketch showing that piece of railroad which is the subject of this bill, and showing the other railroad facilities already in existence in the Gaspé Peninsula.

The ACTING CHAIRMAN: Yes, there is no objection.

Mr. S. F. DINGLE, System Vice-President of the Canadian National Railways: Our line passes through Mont Joli and to Matane, along the river, to the Canada and Gulf Terminal Railway, and from Matane this dotted line is the railway proposed to be constructed from Matane in an easterly direction to Ste. Anne des Monts.

Senator DUPUIS: Is it feasible to produce for each member of this committee a sketch showing the railroad facilities already in existence?

Mr. DINGLE: I have no other sketch of this line.

Senator DUPUIS: There is no small sketch?

Mr. DINGLE: No, I have not any; I am sorry.

The ACTING CHAIRMAN: Honourable senators, the Minister of Transport, whom we have just welcomed, is prepared to proceed with an explanation of this bill.

Some Hon. SENATORS: Agreed.

Hon. LÉON BALCER, Minister of Transport: Thank you very much, gentlemen. I want to apologize for being late, and to thank you for waiting for me.

Mr. Chairman and honourable senators, this bill provides for the construction of a branch line in the province of Quebec, approximately 57 miles long and which would run from Matane in an easterly direction along the north shore of the Gaspé Peninsula to Ste. Anne des Monts. The bill would enable the Canadian National Railway Company to act as agent of the Government to construct, maintain, manage and operate this line of railway, the building of which is expected to cost \$14 million and to be started as soon as the bill receives royal assent. Planned so as to lead from Matane east through Petite Matane, Ste. Felicite, Grosses Roches, Machins, Capucins, Cap Chat, crossing the Cap Chat and Ste. Anne Rivers and ending at Ste. Anne des Monts, this new branch line would connect with the Canadian National Railways' network at Mont Joli via the Canada and Gulf Terminal Railway facilities which extend for 36 miles between Matane and Mont Joli.

Among those familiar with the economic background of the lower St. Lawrence region, it is generally agreed that the lack of railway services, particularly in the northern districts of the Gaspé Peninsula, has hitherto constituted a serious obstacle to economic growth, despite the large reserves in potentially quite valuable natural resources with which that area actually abounds. The economic future of the Gaspé's north shore is therefore directly dependent on the improvements that can be made in its basic means of transportation. In this connection it should be realized that industrial and commercial development are still vitally dependent on the availability of adequate rail services. Any region endeavouring to assist the expansion of its industries, its agriculture and its mining enterprises, as well as to attract investment capital, will be seriously handicapped if its transportation services are inadequate. The Government appreciates the magnitude of this handicap on the Gaspé economy and has decided to take adequate measures towards its removal. As a matter of fact, the present bill is an integral part of a wide range of steps undertaken by the Government in the overall field of transportation and particularly in the area of improved marine works and services in the lower St. Lawrence region of Canada.

Bill C-67 provides for the building and operation of a railway in the counties of Matane and Gaspé which are noted for their large tracts of heavily wooded land, their dairy farms and their rich mineral resources most of them still untapped. Although this part of the lower St. Lawrence district has for some time been the suggested site for rail services, the projects could not be entertained as long as they had to be considered strictly on a "break-even or profit" basis, without consideration being given to the feasibility of accepting short-term deficits in order to gain possible long-term benefits as a result of the economic stimulation which would pervade the entire area served by the new branch line. It is also because the Government became convinced that the many repeated representations made by community leaders and residents up and down the coast of Gaspé for more than twenty years requesting the extension of rail service to Ste. Anne des Monts were indicative of a genuine need for transportation in their district that the present bill is now before you.

Mr. Chairman and honourable senators, in order to evaluate the need for this Gaspé railway one should not fail to refer to the vast economic potential of the Gaspé north shore district because, in the long run, it is the abundance of these economic assets rather than the immediately available freight tonnages waiting to be moved by rail which will determine the success of this transportation project. These Gaspé assets include some 75 saw mills with a capacity of 85 million board feet per year, including a potential production of 85,000 tons of wood chips per year. Furthermore, a certain proportion of the 50,000 cords of pulpwood cut yearly along this part of the Gaspé coast may be expected to move by the new railway, particularly to mills having no direct water connections.

As to the area's mineral resources, bill C-67 will push railhead to within some 60 miles of the Gaspé Copper Company's Murdochville mining community. There are in addition several mining prospects in the immediate vicinity of the railway extension.

Finally, I should like to refer to the potential traffic in general merchandise, both inbound and outbound. So far, the coastal communities of the Gaspé north shore have had to rely on coastal shipping services as the cheapest available means of transport for this category of commodities. Unfortunately, these services are limited by the length of the navigation season and are becoming inadequate by today's standards. In this respect, reduced through rail rates which will be available to shippers all year round should provide a strong stimulus for the area's economy. I may add that, because of the new branch line, the resourcefulness of local agricultural, industrial and business interests will undoubtedly be given a new and wider scope for the production, exchange or further processing of local materials with a view to their marketing in other parts of the country as well as obtaining needed materials more efficiently and cheaply from suppliers elsewhere in Canada.

I am convinced that the passage of this bill will achieve for the Canadian economy the following benefits: It will bring immediate employment through the construction of the railway; it will lead to additional steady employment with the railway company involved in its future operations and maintenance; it will also permit the creation of many new jobs and economic wealth, not only in the immediate area of the Gaspé north shore itself but also throughout the other parts of the country.

I understand that you, Mr. Chairman, have introduced the other witnesses.

THE ACTING CHAIRMAN: Yes.

Senator ISNOR: I would like to inquire from the minister whether this is a Government project or a Canadian National Railways project.

Hon. Mr. BALCER: Mr. Chairman, this is strictly a Government project. The MacPherson Commission's report made a distinction, as did the Turgeon Commission, between a national development policy and a national transportation policy. The MacPherson Royal Commission said very clearly that when the Government felt that a railway was needed for development purposes it should not saddle the railways with operating deficits—

Senator ISNOR: Have you estimated the deficit?

Hon. Mr. BALCER: We have estimated the tonnage, but we have not estimated the deficit. There are still negotiations continuing with the Canada and Gulf Terminal Railway. These negotiations have not been completed yet, and at the present time we do not know what the definite rates are going to be.

Senator ISNOR: Perhaps Mr. Dingle will be able to give us an estimated deficit for the first two, three, four or five years?

Hon. Mr. BALCER: I am afraid it will be a rough estimate because these rates—perhaps Mr. Scott might answer this question.

Mr. G. A. SCOTT, Assistant Deputy Minister of Transport: As the minister has stated the negotiations with the Canada and Gulf Terminal Railway have not been completed so we do not know what the costs of the running rights over that railway will be, but what we have done is to estimate the volume of traffic for the first few years that we see immediately available and which would move over the line. On this basis we feel that the traffic available would just about be enough to meet the operating costs of the line, but would not in the first few years contribute anything towards the capital costs.

Senator ISNOR: Mr. Minister, would you be good enough to tell us the point, in connection with the development of the St. Lawrence Seaway project in the future, where the railway would pick up shipping? I think you mentioned that in your explanation of the bill. Is there a definite thought that you have in mind?

Hon. Mr. BALCER: I think, Senator Isnor, what you have in mind is the cross-river traffic.

Senator ISNOR: I have in mind the future markets that you spoke of, and the shipping point from which those shipments will go because of this railway.

Hon. Mr. BALCER: One of the advantages of this railway that we foresee is that the eastern terminal at Ste. Anne des Monts is right across the St. Lawrence River from Seven Islands where there is tremendous industrial development.

At the present time there is a ferry service between Ste. Anne des Monts and Seven Islands. We have been in touch with the owners of this ferry service, and they have definite plans for a new roll-on and roll-off ferry, and the economists are placing a lot of confidence in the future of through traffic on the railway up to Ste. Anne des Monts and then on the ferry service to the Seven Islands area. Some people in the Gaspé are even talking about a rail service from Matane to Schefferville, when they talk about this railway. Actually, Ste. Anne des Monts will be the eastern terminal, and for traffic to Seven Islands there will be a very good ferry service.

Senator DUPUIS: Mr. Minister, is there winter navigation in that part of the gulf?

Hon. Mr. BALCER: Yes, it is pretty nearly all year round. I do not know the exact number of days, but this winter I think it has been for only a very short period that the Ste. Anne des Monts area was covered with ice, and that was on account of wind shifts.

Senator DUPUIS: Then it is possible that a boat may go from Ste. Anne des Monts to Seven Islands practically all the year round?

Hon. Mr. BALCER: Yes, practically all the year round.

Senator ISNOR: You spoke about the employment that this project would create. Have you an estimate of the employment that will occur from the point of view of the railway as well as from other interests?

Mr. DINGLE: Subject to correction from my chief engineer I would say that on the construction side—

Senator ISNOR: This is employment created by construction only?

Mr. DINGLE: Yes, construction only. It would need probably between 150 and 200 men, and the railway side I do not think will need more than 20 or 25 men.

Senator ISNOR: That is, there will be 150 temporarily employed?

Mr. DINGLE: Yes, roughly 150 on construction.

Senator ISNOR: And 25 in the future?

Mr. DINGLE: Yes.

Senator THORVALDSON: How long will the construction take, Mr. Dingle?

Mr. DINGLE: Our plan is, depending upon when we receive instructions from the Government—that we would be ready to start our survey as soon as the snow leaves the ground this spring. The survey would take about three months, and we would hope to let some contracts for construction by the late fall. On that schedule we think that the construction would be virtually completed by the end of 1963.

Senator BUCHANAN: I would say, though, that the greatest new employment would be created by the development of new industries, rather than just in connection with railway personnel. At least, if that is not the case, then we do not need the railway.

Hon. Mr. BALCER: Definitely.

Senator DUPUIS: I should like to play the devil's role for a little while. If we have navigation all the year round, and as transportation by boat is cheaper than by railroad, why build the railroad?

Hon. Mr. BALCER: There is a possibility of winter navigation with ice-reinforced ships, but this is still rather a new development on the St. Lawrence; it is not yet a steady, established transportation system. This future ferrying service will be done by ice-reinforced ships; but the ordinary navigation is by these river schooners which are wooden ships and cannot carry on a winter service.

Senator DUPUIS: I suppose the minister is saying that the navigation is too difficult for ships to travel between the ice in the winter—there is ice all the time?

Hon. Mr. BALCER: Yes, that is the experience on the river. I am not an expert, but I think the facts prove that in these last few years reinforced ships have been built to come up to Quebec City, Three Rivers—and even Montreal quite early this year; but this type of navigation is strictly for ice-reinforced ships which also have reinforced engines. But the ordinary river navigation on the St. Lawrence, especially the movement of pulpwood and timber, is done by river schooners and smaller types of ship which are not reinforced for winter navigation.

Senator DUPUIS: They are not used in the winter?

Hon. Mr. BALCER: No, not in this area.

Senator DESSUREAULT: Mr. Minister, you mentioned that no agreement had been reached with the Canada and Gulf Terminal Railway Company. You have no idea what will be the cost of operation from Mont Joli to Matane?

Hon. Mr. BALCER: In 1903 and 1908 the federal Government gave subsidies to the Canada and Gulf Company, which was incorporated under another name at that time, but in this contract the Government has signed with the railway company there is a section by which the company assumes the responsibility of giving running rights to other railways who have to use this system. So the C.N.R. has had some preliminary talks with the Canada and Gulf Terminal Railway Company, and when this bill gets approval they will carry on.

Senator DESSUREAULT: What about the state of the track? If improvements are needed who is going to pay for them?

Hon. Mr. BALCER: The C.N.R. engineers have informed the House of Commons committee on this matter. They have made a rough evaluation, a survey on the state of the present Terminal tracks and so on, and they found them to be in a pretty good condition.

Senator DESSUREAULT: It is in good condition to operate right through to this new section to Ste. Anne des Monts?

Hon. Mr. BALCER: Yes.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I wonder if someone could tell us what the present highway system is in that area. I looked at the map on my way into this committee room, and there seems to be traced on it a red line, which would indicate to me that there is a highway running along in the same area, parallel and apparently very close to where the railway is designed to go. What kind of highway is that?

Hon. Mr. BALCER: It is a pretty good highway; it is paved. It is a very good highway, that goes around the Gaspé Peninsula.

Senator SMITH (*Queens-Shelburne*): That is the main highway?

Hon. Mr. BALCER: Yes.

Senator SMITH (*Queens-Shelburne*): That goes around the Gaspé Peninsula?

Hon. Mr. BALCER: Yes.

Senator SMITH (*Queens-Shelburne*): What traffic is now available that cannot go on that highway which, therefore, the railway must be built to accommodate?

Hon. Mr. BALCER: The Government's decision has been based on the mineral potential of the area and also on the development of the forest resources of the area. According to the various representations that have been made by the mineral interests in the area, they figure the transportation of various ores is a bulk transportation problem, and to do that by trucks is a very expensive proposition, and they think it would be much cheaper and much more practicable to move these ores by railway.

Senator SMITH (*Queens-Shelburne*): Where would these ores be carried to, these concentrates, or whatever they might be? It strikes me that the cheapest method of transporting heavy cargoes like that would be getting them to salt water as quickly as they can be got there by the most direct route, and then shipping them by water. My understanding of it is not clear enough to see that this ore trade would be carried on the C.N.R. to a final destination. Am I wrong in that?

Hon. Mr. BALCER: Maybe Mr. Scott could answer that question.

Mr. SCOTT: As the minister has stated, there are these potential developments in the ore field, but this railway has not been predicated upon this being shipped now. It is there for development. I think that what your question is really directed to is this. In the case of lumber, it does move out during the summer season of navigation. It also moves out over the present rail line, and most of it is trucked into the present railhead terminal. In the case of lumber, the railway would give a better year-round service to move it out, and also provide it in Montreal at a lower rate than now. One man who has experience in these matters has said it would make a difference of about \$5 a ton for delivery of lumber. There would thus be this benefit of cost. In this area the lumber trade has been developed towards the Matane end of the peninsula and not towards the easterly side, so that this would create a better balance.

Senator SMITH (*Queens-Shelburne*): Do I understand you to say that lumber is being trucked from that area all the way through by highway to Montreal?

Mr. SCOTT: No, much is trucked to ports along the St. Lawrence, but some is brought to Matane, to the Canada and Gulf Railway terminal, and is moved by rail from there.

Senator SMITH (*Queens-Shelburne*): Which ports are used for the movement of cargo from the peninsula?

Mr. SCOTT: Presently?

Senator SMITH (*Queens-Shelburne*): Yes.

Mr. SCOTT: They use pretty well any, but presently the development is more towards the Matane end. This would allow you to use Ste. Anne des Monts.

Senator SMITH (*Queens-Shelburne*): You mentioned something about mineral prospects. You used that word advisedly. Presently there are no mines operating that require the use of the railway, but as soon as this is built they will immediately transport their ores by rail because of the cheaper rates they might secure?

Mr. SCOTT: There is only one in production right now, Gaspé Copper.

Senator SMITH (*Queens-Shelburne*): At Murdochville?

Mr. SCOTT: Yes, it is located on a hill between Murdochville and Gaspé. Some ore is trucked from Gaspé to Murdochville, and they truck out the copper ingots, which move over the railway. Whether or not this traffic pattern will change or not, we do not know, but we are not predicating this on the basis of a change in the pattern. For the present operation of Gaspé Copper this suits them very well; but there have been representations made by companies who would want to go ahead and develop if there were a railway closer. It does not suit them to hinge their operations on Gaspé because they do not have a two-way truck movement. Gaspé Copper have. For this reason it is cheaper for them, but it would not suit the other companies.

Senator ISNOR: I think we are all interested in the C.N.R., and the effect this is going to have on their future business. If this is going to happen, fine and dandy; but we are also aware they had a deficit of \$67 million last year. What I want to get clear in my mind is as to whether you are going to saddle the C.N.R. with an additional deficit of anywhere from half a million dollars to three quarters of a million dollars in connection with this matter, or is the Government going to charge that up directly to itself?

Hon. Mr. BALCER: All deficits will be met by the Consolidated Revenue Fund, and this railway will not cost a cent to the C.N.R. It is a development railway, sponsored by the Government, and it is not a railway that is sponsored by the C.N.R. The C.N.R. has got to be the agent of the Government for the construction and operation of the railway, but all deficits will be borne by the Government itself, and it will not change anything in the revenue or expenses of the C.N.R.

Senator ISNOR: I wondered, in fairness to the C.N.R., if we are not doing something to saddle the C.U.R. with an additional burden, an amount of three-quarters of a million dollars, perhaps. I am a little concerned as to how they are going to look after their bookkeeping. Is the Government entry direct, or are they going to do it through the books of the C.N.R. and then reimburse them?

Mr. DINGLE: It will be a separate account, and we shall bill the Government, not only for construction but also for operation of the line, and any surplus or deficit will be to the Government account.

Senator ISNOR: Is there such an account at the present time?

Mr. DINGLE: No, we shall set it up.

Senator ISNOR: You will set it up?

Mr. DINGLE: Yes, and it will not appear in our annual report.

Hon. Mr. BALCER: It will be covered by an item in the estimates of the Department of Transport. I might recall this fact for Senator Isnor: there is a certain similarity with the Hudson Bay Railway. That railway was built and was operated by the C.N.R. on an agency basis for the Government, but now it has been integrated with the C.N.R., and is now a revenue-producing railway

and an asset to our national railway. So we hope that someday we shall be in the same position with the Gaspé railway.

Senator DESSUREAULT: Is it your intention to extend that railway around the Gaspé?

Hon Mr. BALZER: There is no intention at the present time, but other factors may arise. At the present time there is no intention of going around the peninsula.

Senator SMITH (*Queens-Shelburne*): With respect to surveys I assume that a survey has been made from the engineering point of view and also that more than one organization, perhaps, has made what might be called an economic survey. Would you tell us something about those surveys? To what extent and in what amount of detail has the engineering survey been made so as to enable you to arrive at the figure of \$14 million?

Mr. A. V. JOHNSTON, Chief Engineer, Canadian National Railways: There have been no on-the-ground detailed surveys. We have made a preliminary survey based upon aerial photographs, and also a ground inspection in which I took part personally. We have considered the difficulties of building the line, and the estimate of \$14 million is based on our prior experience in construction of lines of this type and in this kind of location. But, there has been no actual detailed survey on the ground with instruments.

Senator SMITH (*Queens-Shelburne*): How long would that kind of survey take? How long would it take to make a detailed survey?

Mr. JOHNSTON: It would take about three months.

Senator ISNOR: What is the estimated cost of the line per mile?

Mr. JOHNSTON: It figures out at about \$282,000 per mile, if I am not mistaken. That is based on the maximum cost. On the basis of \$14 million it is \$245,000 per mile.

Senator ASELTINE: Are there any great obstacles to overcome?

Mr. JOHNSTON: Yes, there will be 15 bridge structures which, in 57 miles, is quite a large number. The easterly part of the line is quite rugged. There are rocky bluffs quite close to the shore, and they will present some engineering difficulties but they are not insurmountable.

Senator SMITH (*Queens-Shelburne*): Is this figure of \$14 million the high figure, in your opinion? Are you sure that you will not find out later that the line will cost \$28 million?

Mr. JOHNSTON: It will not cost anything like that. That is a reasonable figure based upon our present knowledge.

Senator SMITH (*Queens-Shelburne*): You would be surprised if it cost any more?

Mr. JOHNSTON: I would be surprised if it cost more than \$16.1 million, which figure includes 15 per cent for contingencies.

Senator SMITH (*Queens-Shelburne*): I have a question about the economic survey. What is the feasibility of this line from an economic point of view? How much of a study has been made of that aspect?

Mr. SCOTT: As you are aware the question of an extension of this railway has arisen periodically over several years, and each time there has been a look taken at it the present traffic and the potential traffic has been estimated. Three years ago the department took another look at it, and a little over a year ago it reviewed the matter again, so that certainly in the course of the last four or five years we have had people down there on three occasions going right through

the area and talking to the industries to see what was being shipped and to estimate what the prospects were for an increase in traffic.

Senator SMITH (*Queens-Shelburne*): As a result of those visits you arrived at the total quantity of lumber produced at the present time, and you have made an estimate of what might be produced, and those are the figures that the minister gave us a little while ago?

Mr. SCOTT: Yes.

Senator SMITH (*Queens-Shelburne*): Have you reason to believe that a very substantial proportion of the production is going to be hauled from one end of the line to the other to make it fairly economic after a time?

Mr. SCOTT: Yes. We have looked at the outbound traffic and the inbound traffic, which is what is important here, and we have come up with figures which we think indicate the amount of traffic which would be immediately available after the course of a year or two without considering a large shift in traffic from the present truck services to the proposed railway line. We realize that there are well established truck services there, and that they provide a very useful function.

However, the industries—and we have satisfied ourselves on this score—would be able to ship more because it would be cheaper. This will affect them in two ways. Today, for instance, traffic moving from Montreal into the Ste. Anne de Monts area is charged a local rate to Mont Joli on the Canadian National; it is charged another local rate on the Canada and Gulf Terminal to Matane; and it is charged a local trucking rate from Matane to Ste. Anne des Monts. These local rates are the highest rates that it is possible to get, and when you add the three together it makes for a very expensive freight rate payment in order to bring traffic from Montreal into the area, whereas under the proposed railway extension there would be one through rate, which would serve to reduce the costs of all the traffic brought into the area, and it would also serve to reduce costs for the traffic moving out.

Senator SMITH (*Queens-Shelburne*): This would mean, then, a rather severe blow to the trucking industry that is there now?

Mr. SCOTT: Not necessarily because we have not included one ton of less than carload traffic in our estimated figures, and it is this type of traffic that the trucks largely cater to.

Senator SMITH (*Queens-Shelburne*): Which class of merchandise would provide the greatest tonnage for the proposed railway?

Mr. SCOTT: Lumber.

Senator SMITH (*Queens-Shelburne*): Sawn lumber?

Mr. SCOTT: Yes.

Senator SMITH (*Queens-Shelburne*): And no pulpwood?

Mr. SCOTT: No. It is true there would be a large amount of traffic in wood chips and in pulpwood, but we look upon this as being short haul traffic. The main traffic in tonnage figures would be lumber, and this, of course, is a higher paying traffic.

Senator DESSUREAULT: Did you say that the freight rate on traffic moving by ship from Ste. Anne des Monts would be about \$5 per ton?

Mr. SCOTT: I said it would be reduced by about \$5 per ton.

Senator SMITH (*Queens-Shelburne*): Mr. Scott, I assume that the railway would begin to pay for itself in regard to operations as well as the interest on the investment, and so on, providing the mineral development goes ahead and large ore bodies are secured. Does the ultimate success of this railway line depend upon the development of minerals?

Mr. SCOTT: To carry all of the cost including the capital costs, yes.

Senator SMITH (*Queens-Shelburne*): What is the present situation with regard to the development of ore bodies there? We have not heard very much about that except with regard to the copper down at Murdochville.

Mr. SCOTT: Well, it is the East Sullivan which has been very interested in this area. There are one or two others who say that presently it is just not worthwhile to try to prove up and develop these ore bodies, but that a railroad brought in closer to the area would make it worthwhile.

Senator SMITH (*Queens-Shelburne*): Have these companies been in there doing diamond drilling in order to try to find just what ore bodies there are, and what kind of ore it is?

Mr. SCOTT: They have over the course of the years, Senator, because in holding this property they have evaluated much of it. Some of it has been held under lease, which they have not tried to prove up. But, in the meantime with the prospect of a railway going in they are more interested in it.

Senator BRADLEY: This line will run quite close to the shore, will it not?

Mr. SCOTT: Yes.

Senator BRADLEY: Is that a highly populated section?

Mr. SCOTT: There are approximately 100,000 people there.

Senator BRADLEY: That is, between the two points?

Mr. SCOTT: Yes, in that area.

Senator HORNER: You mentioned the highway. May I ask if this railway line will relieve the highway of traffic so that it will become a safer road for other traffic and for the farmers? It is very hard to maintain a highway. This railway line would relieve the highway of much of that traffic which really has no business upon a northerly highway.

Hon. Mr. BALZER: Yes, it will to some extent. I might tell you, honourable senators, that yesterday we were informed that East Sullivan mines at the present time is dealing with the provincial government with respect to the spending of a couple of million dollars on the property they have directly south of Ste. Anne des Monts. Apparently they are ready to start any time now.

Senator SMITH (*Queens-Shelburne*): How far would they be from the line?

Hon. Mr. BALZER: A matter of about 20 miles, I think.

Senator ISNOR: May I inquire from the chief engineer if he would be good enough to give me the average cost of construction per mile of railway lines during the past five years?

Mr. JOHNSTON: That depends upon the location. We have built a number of lines. We have built lines costing as little as \$100,000 per mile where there has been very easy going, and we have built lines which cost up to \$275,000 per mile in rough country. You can take the average of those two figures. I would say that something less than \$200,000 per mile—perhaps \$175,000—would be a very approximate figure.

Senator ISNOR: And this line you estimate will cost \$245,000 per mile, or \$245,000 per mile based on the figure of \$14 million?

Mr. JOHNSTON: Yes.

Senator ISNOR: That is quite a high figure.

Mr. JOHNSTON: Yes, that is right, it is, because of the rough country and the number of bridges required, and because of these high rocky bluffs along the easterly part of the line.

Senator ISNOR: Would it be a fair question to ask you, Mr. Dingle, whether, if you were looking into this project, you would recommend its construction?

Senator THORVALDSON: I think that is a rather unfair question. It has been stated that this is a development railway, and economic development is not so much a factor in its construction.

The ACTING CHAIRMAN: I think the senator from Halifax-Dartmouth is being facetious.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I do not think the senator's question was too unfair. He might have phrased it a little differently. I will put his question in this form: Has the C.N.R. in the past made economic studies—not the Department of Transport, but the C.N.R. which is accustomed to making such surveys—especially with respect to the closing up of railways.

Senator ISNOR: I did not want to put you on the spot, Mr. Dingle.

Mr. DINGLE: We have made various surveys in the area, and in many other parts of Canada. We lay down a pretty strict rule for ourselves in undertaking to construct branch lines. This one by itself at the moment we could not justify on a commercial basis.

Senator THORVALDSON: Would you agree, Mr. Dingle, that that was the case also with the Hudson Bay Railway?

Mr. DINGLE: At its inception, yes.

Senator THORVALDSON: That was 35 years ago.

Mr. DINGLE: Yes.

Senator THORVALDSON: That was not an economic proposition for the Canadian National Railways, but it was built at that time by the Government as a development proposition, and that has now justified itself.

Mr. DINGLE: Yes, the two are quite similar.

The ACTING CHAIRMAN: May I venture to ask the committee its pleasure with respect to this bill, if there are no further questions? Is the committee agreed? Is it agreed that we report this bill to the Senate, without amendment?

Senator ASELTINE: I move it be reported without amendment.

Senator ISNOR: We do not want to oppose Government policy, of course.

—Motion agreed to.

The ACTING CHAIRMAN: Ladies and gentlemen, on your behalf I want to thank the minister again for a further example of his courtesy in appearing here, that same courtesy being conducive to the utmost goodwill.

Hon. Mr. BALZER: Thank you very much, Mr. Chairman and ladies and gentlemen.

The committee adjourned.



First Session—Twenty-fifth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill S-4, An Act respecting Canadian Pacific Railway Company

The Honourable A. K. HUGESSEN,
Chairman.



THURSDAY, OCTOBER 18, 1962

WITNESSES:

Mr. Gregory J. Gorman, Counsel; Mr. C. A. Colpitts, Chief Engineer, C.P.R.; Mr. J. M. Roberts, Vice-President, Traffic, C.P.R.; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation.

APPENDIX

Plan of Approximate Location of the Bredenburg Southerly Branch Line.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman.

The Honourable Senators

Baird	Gershaw	Methot
Beaubien (<i>Provencher</i>)	Gladstone	Molson
Bishop	Gouin	Monette
Blois	Hayden	Paterson
Bouffard	Hollett	Pearson
Bradley	Horner	Power
*Brooks	Hugessen	Quart
Buchanan	Isnor	Reid
Campbell	Jodoin	Robertson
Connolly (<i>Halifax</i>	Kinley	Roebuck
North)	Lambert	Smith (<i>Kamloops</i>)
Connolly (<i>Ottawa West</i>)	Lefrancois	Smith (<i>Queens-</i>
Croll	*Macdonald (<i>Brantford</i>)	<i>Shelburne</i>)
Dessureault	Macdonald (<i>Cape</i>	Stambaugh
Dupuis	<i>Breton</i>)	Taylor (<i>Westmorland</i>)
Emerson	McGrand	Thorvaldson
Farris	McKeen	Veniot
Fournier (<i>Madawaska-</i>	McLean	Vien
<i>Restigouche</i>)		Woodrow—50.

50 members
(Quorum 9)

**Ex Officio Member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate for Thursday, October 11, 1962:

Pursuant to the Order of the Day, the Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Hnatyshyn, that the Bill S-4, intituled: "An Act respecting Canadian Pacific Railway Company", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Hnatyshyn, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNeill,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, October 18, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10.30 a.m.

Present: The Honourable Senators Hugessen, *Chairman*; Baird, Campbell, Connolly (*Halifax North*), Croll, Lambert, Lefrancois, Macdonald (*Cape Breton*), McGrand, McKeen, Paterson, Pearson, Reid, Smith (*Queens-Shelburne*), Thorvaldson and Woodrow.—16.

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill S-4, "An Act respecting Canadian Pacific Railway Company" was read and considered clause by clause.

On motion of the Honourable Senator Reid, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the proceedings on the said Bill.

The following were heard: Mr. Gregory J. Gorman, Counsel; Mr. C. A. Colpitts, Chief Engineer, C.P.R.; Mr. J. M. Roberts, Vice-President, Traffic, C.P.R.; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation.

A plan of the Bredenbury Southerly Branch Line was ordered to be printed as an appendix to these proceedings.

It was resolved to report the Bill without any amendment.

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

REPORT OF THE COMMITTEE

THURSDAY, October 18, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill S-4, intituled: "An Act respecting Canadian Pacific Railway Company", have in obedience to the order of reference of October 11th, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Thursday, October 18, 1962.

The Standing Committee on Transport and Communications to which was referred Bill S-4, an act respecting Canadian Pacific Railway Company, met this day at 10.30 a.m.

Senator A. K. HUGESSEN (*Chairman*), in the Chair.

On a motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, I have before me some material which I think would be of interest to the committee, and if it is agreed I will ask that it be distributed. The first item is a map showing the location of the proposed railway, and the second is an illustrated brochure giving details of the important potash industry in the province of Saskatchewan which this branch line is designed to serve.

While those are being distributed I have two communications to read to the committee. The first one is a report from the Law Clerk and Parliamentary Counsel which is in the following words:

In my opinion this bill is in proper legal form, and I have no suggestions to make for its amendment.

The second is a telephone message that has been received from Mr. Jacques Fortier, Counsel to the Department of Transport, and it is to the effect that the Minister of Transport has no objection to this bill.

The persons who are appearing in support of the bill are Mr. Gregory J. Gorman, Parliamentary Agent in Ottawa; Mr. J. E. Paradis, Q.C., Assistant Commission Counsel, Canadian Pacific Railway Company; Mr. J. M. Roberts, Vice-President, Traffic, Canadian Pacific Railway Company; Mr. C. A. Colpitts, Chief Engineer, Canadian Pacific Railway Company; Mr. E. E. Marlin, Assistant Chief of Transportation, Canadian Pacific Railway Company and Mr. C. K. Holden, Assistant Region Engineer, Canadian Pacific Railway Company. Those are all representatives of the Canadian Pacific Railway Company, and with them is Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation which I understand is the company which is building this important potash plant in the province of Saskatchewan.

Senator Aseltine, you are the sponsor of this bill. Have you anything to say before we call upon the witnesses?

Senator ASELTINE: I would suggest, Mr. Chairman, that Mr. Roberts be asked to make a statement.

The CHAIRMAN: Is that agreeable to the committee?

Hon. SENATORS: Agreed.

Mr. GREGORY J. GORMAN, *Parliamentary Agent*: Mr. Chairman, it was my intention to ask Mr. Roberts to make a statement to the committee outlining in a general way the traffic flow that will result from the building of this

line; in other words, the destination of the material that will be picked up by this branch line, where it will be used domestically and where it will be shipped overseas.

I thought, however, that it might be better to hear first from Mr. Colpitts who is the Chief Engineer of the Canadian Pacific and who can outline the nature of the construction itself so that the members of the committee will have that information first. Would that be satisfactory?

Senator ASELTINE: Yes.

The CHAIRMAN: Then, I will call on Mr. Colpitts.

Mr. C. A. COLPITTS, Chief Engineer, Canadian Pacific Railway Company: Mr. Chairman, and honourable senators, as shown on the plan before you, the plant of the International Minerals and Chemical Corporation is located in the south-east quarter of Section 24, Township 20, Range 33, west of the Principal Meridian.

(See Appendix for plan.)

You will note that the proposed line extends southerly from the east end of Bredenbury Yard located in the south-east quarter of Section 35, Township 22, Range 1, west of the second meridian almost due south for six miles, more or less along the quarter-section line, where it crosses Cut Arm Creek. From this point, the line will run in a south-easterly direction near a Saskatchewan Power Corporation transmission line paralleling the creek for 9.5 miles where it will connect on to the northerly limit of the plant trackage, a total distance of 15.5 miles.

The first six miles of the line crosses flat to slightly rolling land with poplar bluffs and willow bush. Approximately 60 per cent of the land is cultivated, 20 per cent bush and scrub, and the balance, pasture land. The topsoil is a light sandy loam with some boulders underlaid by small sand and gravel deposits. No major watercourses are crossed in the distance.

The next two miles constitute the crossing of the Cut Arm Creek and its valley. The creek at the location of the crossing is in a valley approximately 60 feet deep and 1,000 feet wide. The valley bottom is muskeg over fine sand and gravel deposits. The proposed crossing utilizes tributary ravines entering and leaving the valley. A wooden pile trestle, approximately 135 feet long and 35 feet high will be constructed at this crossing.

The balance of the line—7.5 miles—again crosses slightly rolling land, 85 per cent under cultivation, the remainder being poplar and willow bush. The topsoil is heavier than that found on the north side of the creek.

The cost of the proposed line is estimated at \$682,000 and a local contractor has been selected to do the grading. His labour force, together with company employees, will be recruited in the area as far as possible. It is estimated that the line can be constructed in slightly over six weeks. There would be about 80 men employed on the project.

The proposed line will connect with the railway system of Canadian Pacific at Bredenbury, Saskatchewan, a point 253 miles north-west of Winnipeg on the company's Winnipeg-Saskatoon-Edmonton line—227 miles south-east of Saskatoon.

Bredenbury is a division point with staff on duty 24 hours a day, yard trackage and accommodation for cleaning cars. There is daily freight service through Bredenbury.

In determining the best possible route for this line, a reconnaissance has been made by experienced railway engineers and the route shown on the

plan before you is selected as the best possible, for the purpose of economical railway construction and operation and to best serve the interests of the industry.

A detailed survey to establish the exact location of the line has been made. Options have been obtained from all landowners concerned.

The CHAIRMAN: I gather from your figures that this line is to be 15½ miles long and to cost about \$680,000. That is about \$45,000 a mile?

Mr. COLPITTS: About \$40,000 a mile; there are 1½ miles in yard trackage also.

Senator CROLL: How long will it take you to build it?

Mr. COLPITTS: Six weeks.

Senator CROLL: So those 80 men will be employed for approximately six weeks?

Mr. COLPITTS: Yes.

Senator ASELTINE: Is it the intention to try to build it this fall, if this bill is passed?

Mr. COLPITTS: Definitely.

Senator ASELTINE: Is it necessary to do so in order to facilitate the removal of the potash?

Mr. COLPITTS: It is the wish of the industry that we get in there as soon as possible, sir.

Senator REID: Are there plenty of markets available for potash?

Mr. COLPITTS: There is another witness who can answer that better than I can.

Senator BAIRD: Is there not another railroad there already, the C.N.R.?

Mr. COLPITTS: Yes, the Canadian National.

Senator BAIRD: They are operating to the south?

Mr. COLPITTS: Yes, south of this proposed line.

Senator BAIRD: They are taking out potash today?

Mr. COLPITTS: Yes, I understand they are moving a small amount of it.

Senator BAIRD: And you hope to start, you say, before the spring?

Mr. COLPITTS: We hope to start before the end of the year, sir.

Senator PATERSON: Are they producing potash now?

Mr. COLPITTS: Yes.

The CHAIRMAN: Perhaps with regard to the actual industry we might hear Mr. Knorst, the representative of the industry itself, as to what stage they have reached in production. This gentleman is chief engineer of the Canadian Pacific Railway.

Senator PEARSON: Could you say that there will be sufficient traffic on the line to warrant a second line being put in, making one for the C.P.R. and one for the C.N.R.?

Mr. COLPITTS: Mr. Roberts is with us today; but that is my understanding, yes.

The CHAIRMAN: Are there any further questions for Mr. Colpitts? With regard to traffic I understand that Mr. Roberts is suggested as the railway witness. Shall we hear Mr. Roberts now?

Hon. SENATORS: Agreed.

The CHAIRMAN: This is Mr. J. M. Roberts, Vice-President, Traffic of the Canadian Pacific Railway Company.

Senator PEARSON: Could I ask you, Mr. Roberts, the same question: does this branch line warrant being built? Is there sufficient traffic for both lines?

Mr. ROBERTS: Very definitely so, sir.

Mr. Chairman, honourable senators, if I may presume as to what you wish me to speak about, it is the destination territory to which the products of this mine will be shipped. It is estimated that roughly 50 per cent will move offshore into export markets, primarily, certainly at the outset, through British Columbia coast ports. About 30 per cent of it will move to the United States, to destinations in the United States; and 20 per cent to Canadian destinations.

At the moment the territory in the United States to which the potash would be shipped, you could say, extends from the mid-west United States—Minnesota, North Dakota and South Dakota—and then eastward to the Atlantic Ocean; and, similarly, in eastern Canada, to the fertilizer plants in eastern Canada and, we hope, as far east as the Maritimes.

Senator WOODROW: Is there any tariff against potash going into the United States? Is so, what is the percentage?

Mr. ROBERTS: I could not answer that question off hand.

Mr. GORMAN: I think the answer is no, as far as I understand. Mr. Knorst, who is a representative of the producing company, I am sure will be able to answer that.

Senator REID: What other companies produce potash?

Mr. ROBERTS: In Canada at the present time, none. But deposits of sulphur in the United States and Canada are confined to New Mexico; that is where all the large deposits are and from where shipments are made at the present time.

Senator McKEEN: Is there not a lot of sulphur recovery made from gas and oil?

Mr. ROBERTS: Yes, but we are into another field.

Senator McKEEN: You said the sulphur is coming from New Mexico.

Mr. ROBERTS: I meant "potash".

Senator McKEEN: Is that shipped in bulk?

Mr. ROBERTS: Yes, mainly in bulk.

Senator McKEEN: This bulk loading in Vancouver, the facilities they have there now could handle this?

Mr. ROBERTS: Yes, absolutely.

Senator PEARSON: Does it need special cars?

Mr. ROBERTS: No, but it moves primarily in what we called covered hopper cars.

The CHAIRMAN: The ordinary coal car?

Mr. ROBERTS: No, this is a type of railway car which has been developed over the last ten years, and we call it a covered hopper car. It is like a large boxcar with openings on the top, and you feed the product in through those openings, and then it is unloaded at the bottom.

Senator CROLL: In looking at this map I gather it is about 15 to 16 miles from Bredenbury; but it appears to be a mile or two miles at the most from the C.N.R. road.

Mr. ROBERTS: Yes.

Senator CROLL: In the light of what we know about the railway situation in Canada generally, both C.N.R. and C.P.R., it is a little difficult to understand this undertaking by the C.P.R. and what the purpose of it is, with the other railroad facilities so handy.

Mr. ROBERTS: I think, sir, with respect, that we must look at the overall transportation picture. In other words, this potash is moving from the plant to destinations in eastern Canada. The destinations in eastern Canada are blanketed; that is to say, the same rate in the case of Ontario and Quebec—the same rate applies in the territory from Windsor through to Montreal.

Senator CROLL: I do not know why you picked Windsor.

Mr. ROBERTS: It is a part of the area.

Senator CROLL: Your motive is understood; continue.

Mr. ROBERTS: The rates would be equal. The two lines of railway to serve the plant are needed so that there will be one railway available always in case the other has a washout or a strike. It means that there always will be service available to move the product.

Senator BAIRD: In other words, you get some of this lucrative trade.

Mr. ROBERTS: The industry always wishes to have an extra string to its bow.

Senator CONNOLLY (*Halifax North*): That is probably the best reason.

Senator CROLL: It is a case of your being the C.P.R. and you say, "It is good for me".

The CHAIRMAN: What order of magnitude of traffic are we talking about?

Mr. ROBERTS: It would run roughly in the neighbourhood of 20,000 cars a year. It is over a million tons.

Senator PEARSON: For each railway? In total?

Mr. ROBERTS: In total.

Senator ASELTINE: I think I said 21,000. You say 20,000.

Mr. ROBERTS: It is 20,000 of more. It is a million tons a year.

Senator CAMPBELL: Would the eastbound movement be trans-shipped at lakehead?

Mr. ROBERTS: That is something which may come up in the future but at present there are no facilities for the bulk handling of the product. It might be for export purposes, but not likely for domestic.

Senator SMITH (*Queens-Shelburne*): We hear a lot at present about the duplication of services and the uneconomic operation of both C.P.R. and C.N.R. Perhaps this question should be asked of the company. Why does the company want the C.P.R. to come in here when they already have the C.N.R.?

Mr. ROBERTS: This is a question of a company with an investment of over \$40 million. It is a very large company with a large development. It wishes to have alternatives of shipment always available, in case of wrecks or floods or strikes. This is not unusual, it is the case with large industry.

Senator BAIRD: One is tapping the north and the other is tapping the south. On page 30 of this booklet there are sufficient figures given to interest anyone.

Senator CONNOLLY (*Halifax North*): Mr. Chairman, is there any objection from any source to this proposal?

The CHAIRMAN: I have not been advised of any opposition. I assume that if the C.N.R. had any serious objection they would have made representations before us. It seems quite obvious that there is to be a very large amount of freight and I suppose it is only fair that both railways should participate.

Senator McKEEN: For domestic purposes, I suppose the company would want the railway to take it direct?

Mr. ROBERTS: This is an important point. If you have to interchange to local destinations on the railway, it means that equipment is tied up and it takes a long time. In the way we suggest, there is maximum utilization of the equipment.

Senator PATERSON: It must also have something to do with competitive rates.

Senator CROLL: He says it has not.

Mr. ROBERTS: The rates are there now and we will have exactly the same rates as are available by C.N.R. The rates are those necessary to move the traffic.

Senator CROLL: If you got half the business, you can still see the investment paying off?

Mr. ROBERTS: Yes.

Senator CROLL: Mr. Chairman, could we have someone tell us something about the company itself?

The CHAIRMAN: There is a representative of the company here and I propose to call on him to give us some general information about it. Are there any further questions to Mr. Roberts?

Senator ASELTINE: We can recall him if necessary.

The CHAIRMAN: Yes, he will be here. Thank you, Mr. Roberts. Is there anyone else from the C.P.R.?

Mr. GORMAN: I think not, unless there is some question. We have experts from the railway in all fields, to assist the committee. This line is being put in at the request of the producing company, International Minerals and Chemical Company Limited. We have here, to assist in the presentation, Mr. Walter Knorst. I am sure he will be able to provide the committee with a general description of the operations of the company, the mine and the refinery. He can explain the great difficulty encountered in bringing the mine into operation and he can outline the very cogent reasons why the company feels that it should have the service of this additional line.

Senator McKEEN: Does the railway always accede to a request for a branch line into a plant?

Mr. GORMAN: I think that if it is economical it does so.

The CHAIRMAN: We will hear Mr. Knorst now.

Mr. Knorst, from the discussion so far, you can appreciate what the committee would like to hear.

Mr. WALTER B. KNORST, Assistant Director of Transportation, International Minerals and Chemical Corporation: Mr. Chairman and honourable senators, we appreciate the opportunity of explaining the need for the C.P.R. to service our Esterhazy mine. It has been my direct responsibility for the past five years to see that this mine is properly serviced from the transportation standpoint, that is to say, to see that the layout was such that it would be efficiently usable in connection with all forms of transportation; rail, truck and air. We use air once in a while for emergency reasons.

For five years we have been investigating this. It is axiomatic in the transportation field that you have more than one carrier serving your plant, for several reasons. It is necessary for car supply and to make each one sharp enough so that they do not get sloppy in their handling. With one railway only, they have you over a barrel. If they want to serve you efficiently they will do so; if they do not want to serve you efficiently, you can do nothing about it. That is one reason for our wanting to have the C.P.R. in there.

There are other reasons. We have an expensive hole in the ground in this mine. It is a \$40 million hole until it starts paying off. There will be approximately 400 local people trained to work in the mine. They are well on the way to having those trained people at the moment at the mine. There will be approximately a \$2 million payroll that will accrue to local people. This is fine, but we must have transportation facilities all the way through, as this is a most competitive business. It is a fertilizer business, a low-rated product which moves in large quantities, which turns over a lot of dollars but very few of which we keep for ourselves. I may say that that brochure contains

more information than I can give you in ten thousand words. Mr. Chairman, from a layman's point of view I would like to tell you a little bit about the mine.

The CHAIRMAN: You did not answer Senator Baird's question. He asked you who your shareholders are.

Mr. KNORST: It is a public-ownership company. We have stockholders all over the country.

Senator SMITH (*Queens-Shelburne*): Which country?

Mr. KNORST: The United States and Canada.

Senator CROLL: I do not like to appear ignorant about this, but this company is new to me. I am from the east and I do not know anything about it. If you don't mind will you tell us something about the history and the background of the company, its ownership, where its control is.

Mr. KNORST: The firm is over fifty years old and has been engaged in various phases of the fertilizer business.

Senator CAMPBELL: When you say the "firm" are you speaking of this company?

Mr. KNORST: International Minerals and Chemical Corporation, the parent company.

Senator CAMPBELL: I think that is what has been confusing both of us.

Senator CROLL: Speak about the Canadian company, please.

Senator ASELTINE: You are incorporated in Canada are you not?

Mr. KNORST: Yes, we have corporate offices in Toronto. As far as International Minerals and Chemical Corporation (Canada) Limited is concerned, to my knowledge it is approximately ten years old, I would say. I am not sure about that. I am a transportation man and I do not have all these answers corporatewise but I can give you the benefit of what I do know about it.

The direct responsibility for the Canadian operation and the company in Canada is under Mr. D. H. Starke, vice-president of both corporations, a Canadian-born citizen and one of the most successful in establishing potash mines in Canada. It is due to his direct efforts that this mine has been completed.

The mine itself is three thousand feet down. We had one devil of a time getting down there. We went through what I would call quicksand that just refused to co-operate with the efforts of the mining engineers and they finally hit on the idea of making a mass of ice out of it. They froze it. I was out here about five years ago and I thought the mine was completed but all that was on top were these icing machines—machines that make ice—and they were freezing this ground down below. After they got it frozen solid they came in with chip hammers and chipped away at the mass, which is a very slow process. Then one of our good competitors up near Saskatoon, the Potash Company of America, were having trouble with their mine and we took a lesson from the trouble they had and we hired a firm of German engineers to come over here, engineers who had similar problems over in Europe, which they solved by putting in big iron hoops.

The CHAIRMAN: Right down the three thousand feet to the bottom?

Mr. KNORST: No, just through that portion where they were having the trouble with this quicksand. There was quite a problem then to get somebody in Canada to machine and manufacture these hoops and we were fortunate to team up with a Canadian manufacturer that put these together and they worked fine and we are happy that that will solve our problem there.

Senator PEARSON: As a matter of fact it was an Ontario company that did that?

Mr. KNORST: Yes, sir. We finally hit bottom. The Canadian National Railways now services us but in Canada both railways do not have enough hopper cars to service our account. They have, perhaps, 1,500 covered hopper cars apiece but they are allotting them out to all shippers in Canada. We do not know how many of them we are going to get, so we will have to use some private cars. We will be responsible for the leasing costs, but we need them to service our mine.

The CHAIRMAN: In other words you will need the cars of both companies?

Mr. KNORST: That is right. If we get 500 cars from the Canadian National we might get a like amount from the Canadian Pacific but we would still need 2,000 more cars, but whatever we need we will be able to get. For every car the railway will allow us to use we will incur that much less cost in leasing private cars for the same purpose. About 20,000 cars will move out of there each year, and of that number approximately 60 percent will be box cars.

Senator PATERSON: Is potash a perishable product?

Mr. KNORST: No, it is not but it has to be kept dry. If it becomes wet it loses some of its value and hardens like cement. In fact it makes a good cement when it is wet.

The CHAIRMAN: But you are not in the cement business?

Mr. KNORST: Not yet.

Mr. Chairman, I would like to tell you a little about the mine itself. The mine is 3,000 feet down. There they have underground borers or big machines with a drill in front of them that drill into the potash, crack it up into big chunks which fall down, and are picked up by big arms—and they do look like arms—and scooped into a belly-like conveyor. It goes over the conveyor into a mining car and over to the shaft. When it gets to the shaft it is crushed and then it goes on its way up to the top. When it gets to the top every pound of potash ore has to go through what I call a witch's brew. It is a big vat that is continually bubbling like ginger ale. It contains a combination of kerosene oil and some other chemicals. When the bubbles come to the top it looks like a big strawberry soda with froth on top. They scoop that froth off and that is the potash. It is dried and then passed through screens to particular sizes that are readily saleable. It is then ready for the market. The other sizes that are not of the correct size have to be ground still further, and custom grinding in the trade takes care of that. There are probably half a dozen different grinds required and they grind them to those sizes, and they are dried and ready for shipment. Then it goes into storage.

Mr. Chairman, there are great seasonal surges in this business. As you know, farmers fertilize their land probably a month or a week before planting and no farmer wants to buy fertilizer until he is ready to use it. He does not want to pay for it in advance. So we have these extreme seasonal surges. Now, even if the car supply was adequate throughout the year, during the seasonal surge it is not adequate and so we need all the help we can get transportation-wise during these seasonal surges.

The distribution, or the way the market is supplied up to the present time, is that about 50 per cent will go overseas to Europe, Korea, Japan and Australia, and it is planned to use Vancouver for these export movements. The sailing time to Japan is much less from Vancouver than from the present source of supply which is shipped through Los Angeles at the present time. Competitively speaking, they are on a par so far as costs are concerned, but the edge that Canadian potash will have in the export market is the lesser sailing time from Vancouver than from Los Angeles.

Canadian ore is much richer than United States ore. You get more potash content out of each ton of Canadian ore than you do out of U.S. ore. That was one of the primary reasons for coming up to Canada. It was a terrific gamble. It looks as if it will pay off, but there is no guarantee that it will.

Senator REID: Where is potash mined in the United States?

Mr. KNORST: Carlsbad, New Mexico. It is near El Paso, Texas, it is near Carlsbad Caverns.

Senator CAMPBELL: What tonnage is being shipped from this mine now?

Mr. KNORST: It is geared to produce 3,000 tons a day. The last word I have is that they shipped 40 cars on the day after your Thanksgiving, and that would be equal to approximately 2,000 tons. There is no reason for believing that they are shipping anything less than that. Maybe it runs between 1,000 and 2,000 tons per day. This is still in the testing stages, and we are running into bugs; we are having our troubles, but we expect to come out of them.

The CHAIRMAN: When you reach full production how many cars a day will you be shipping?

Mr. KNORST: Probably 100, and during the seasonal surges it will probably be more than that. At those times they will be working on a 24-hour day basis. We have to make money while the market is there.

Senator ASELTINE: I understand the area underneath the surface at this level of 3,000 feet is impregnated with potash for miles and miles in every direction.

Mr. KNORST: Yes. There is supposed to be over 200 years' supply of potash for the whole world, but I feel that all of it has not been found yet. They are still looking for it, and they will find more.

Senator CROLL: When you speak of seasonal surges can you describe them by saying what months they are?

Mr. KNORST: Right now it is a heavy season overseas. Because of the variations in climate it is pretty well constant. There is a continual flow of export movement.

Senator PEARSON: They will ship mostly to northern hemisphere areas?

Mr. KNORST: I would not know that. Our responsibility ends when the potash gets to the port and goes on the ship.

Senator PEARSON: When it goes to Australia and New Zealand it will be arriving there in a different season.

Mr. KNORST: Yes, and in Florida, for instance, they can use it practically all year long. There is a good market for it in Florida, and there is a possibility that Canadian potash will find its way to Florida and compete with English potash, French potash, and Spanish potash. It is to be hoped that we can compete with those countries on the coast. They bring that potash over here at what we call ballast rates of \$3 to \$5 per ton. They can look at a price list and cut it any way they want.

At the moment our price is \$5 a ton over the price at which they can deliver it at the east coast ports and the Gulf ports, and also in Nova Scotia and Prince Edward Island. We are \$5 higher than their price. We hope that it will be possible to ship through Vancouver and the Panama Canal and go to the east coast if we can get extremely large ships and find the warehouses over there from which we can distribute. The greater the quantity we can ship, the more economic transportationwise it becomes.

Senator SMITH (*Queens-Shelburne*): Did you say you will ship for export through Vancouver only?

Mr. KNORST: At the present time. We have looked at the St. Lawrence Seaway ports. They have a short season. They do not have the facilities we need for trans-shipment to vessels. For a while we were looking at some iron ore docks. If they had a cover on them they would be fine, but they have no cover. It is all a terrific gamble.

Senator SMITH (*Queens-Shelburne*): Have you looked at the possibility of building storage at Halifax for shipment from there during the winter to the European market?

Mr. KNORST: I have visited Halifax. There is always room for the building of a warehouse, but it is extremely expensive, and the rates from Esterhazy to Halifax are just out of the question. You could not meet them.

Senator LAMBERT: Is there any prospect of developing a market in China from the Pacific coast?

Mr. KNORST: I would imagine so, yes, sir.

Senator LAMBERT: You have had no intimation of that lately? Formerly there was a very good market for potash in China. Soda-ash and potash represented a very large proportion of imports into China for fertilizing purposes. I know China is governed by a different ideology from ours, but we are selling them some wheat, and I am wondering why we should not sell them some potash as well.

Mr. KNORST: I see no reason physically why it could not be sent there.

Senator LAMBERT: Are there financial reasons?

Mr. KNORST: That may be another question.

Senator CROLL: I am a little intrigued by what you said a moment ago. I may have misunderstood you. I thought you said that domestically you could not compete.

Mr. KNORST: Under the domestic rates from Carlsbad and Esterhazy to the east coast ports it is impossible to compete.

Senator CROLL: Did I understand you to say that some producer in another country can ship here and beat your price at almost any place in Canada?

Mr. KNORST: On the east coast: Halifax, Prince Edward Island, and along that coastline. We were investigating there. It was my responsibility, and I visited Halifax and I looked at ways and means of meeting this type of competition. Of course, we explored the St. Lawrence Seaway to see if we could go up there and come around, but having regard to transportation cost at the present time and under the present circumstances it does not look feasible, but we will never give up. We will keep looking. That is another reason why we are always looking for more transportation instrumentality to serve our production. We want, and we will use, the Canadian Pacific Railway. We will use both rail roads for serving the markets with a million tons of potash.

Senator CAMPBELL: Have you investigated the feasibility of trans-shipment at Duluth for the east coast and overseas?

Mr. KNORST: Yes.

Senator CAMPBELL: What is the difficulty there?

Mr. KNORST: You have Canadian railroads up close to Duluth and then you have the American railroads to deal with, and never the twain shall meet. There is competition there. They want something into Canada, and Canada wants something into the United States, and unless you co-operate you do it the way they want you to do it, and you pay them the rate they want to give you, and that rate is no good.

Senator CAMPBELL: What about Fort William and Port Arthur?

Mr. KNORST: I investigated those ports personally. They have possibilities, but at the moment they are not very good.

Senator CAMPBELL: On account of the lack of handling facilities?

Mr. KNORST: Yes.

Senator CAMPBELL: And the costs of installation will be too great?

Mr. KNORST: Yes. We are making experiments in silos, and we have not yet beaten the problem of compaction in a silo.

Senator PATERSON: Today there is a ship loading paper at Fort William for Miami, Florida. I think it is a new innovation.

Mr. KNORST: Yes. We are charged with the responsibility of watching for those new innovations, and I think we are aware of quite a few of them. We have explored them, and the way we see it now is that Vancouver has the greatest potential at the present time for servicing these accounts on the east coast. It all depends on the charter rates you are able to get, and whether you can establish an economical warehouse on the east coast. We have four warehouses at the mine which hold about 35,000 tons a piece, and that makes a total of 140,000 tons you need in reserve for surges. Some overseas orders are contingent upon when a ship is available, and you may get five or ten days' notice. If they want, say, 15,000 tons and you cannot supply it, somebody else will. So you had better be ready to supply the order. That is why you have 140,000 tons in reserve, to service that kind of account. Again, 10,000 to 15,000 tons requires quite a number of hopper cars to get the product over to the port, and these cars are not always available. Everybody is crying for hopper cars, for they are the cheapest method of unloading. You crank up the gates and they open up, and it falls onto the bottom. You can regulate the gates for a single receiver who wants one car. He can put an under-track unloader there, and you start the conveyor belt going, and it goes into his warehouse or bin or pile, and he has only one man opening the gate. So this is much cheaper than unloading a boxcar. A boxcar probably requires a man with an expensive front-end loader; that is, a tractor with a shovel at one end, and he goes in the car and takes a shovelful out and goes to the plant and stacks it some place. So it is much more expensive to use boxcars. It is the workhorse of the railroad, and it is usually associated with plants that have been in existence for a long time, and that have not got around to replacing their facilities to accommodate a hopper car. But in our experience about a 2 per cent decrease a year occurs in boxcars over hopper cars; in other words, 2 per cent more hoppers are replacing that many boxcars. But there is a substantial amount of boxcars used at the present time.

The CHAIRMAN: Any further questions to Mr. Knorst?

Senator CAMPBELL: May I ask one question as a matter of interest, as to whether these hopper cars can be used for the handling of grain?

Mr. KNORST: Do you mean these particular hopper cars?

Senator CAMPBELL: Yes.

The CHAIRMAN: Can Mr. Roberts answer that?

Mr. GORMAN: I understand that they can, Mr. Chairman.

Mr. ROBERTS: Yes, they can.

Senator SMITH (*Queens-Shelburne*): Can they be used for chip pulpwood?

Mr. ROBERTS: What they are using for pulpwood chips are high-sided gondola cars, and they extend the sides. They are regularly four feet high, and they are extended another four feet. That is the way we are handling the pulpwood chips.

Senator BAIRD: In other words, you do not come back empty at any time?

Mr. ROBERTS: This is what we are always aiming for.

The CHAIRMAN: Any further questions to Mr. Knorst, honourable senators?

Senator CAMPBELL: I wonder if any witness could give us some information about the corporate structure of this company, as a matter of interest?

Mr. KNORST: On the transportation end, as far as the corporate structure is concerned, I do not have too much information to give you.

Senator CAMPBELL: Did it start out to be a wholly-owned subsidiary of an American corporation?

Mr. KNORST: Yes.

Senator CAMPBELL: And the financing was all provided by the American corporation?

Mr. KNORST: Yes.

Senator CAMPBELL: I do not suppose there has been any sale of shares in Canada?

Mr. KNORST: I think there has been. It has been my information it was on the Toronto Stock Exchange.

The CHAIRMAN: That is, the parent company shares or the Canadian subsidiary shares?

Mr. KNORST: For all practical purposes they are one and the same: they carry the same connotation, the same price and the same return.

Senator CAMPBELL: I think you will find it is a wholly-owned subsidiary of the American corporation.

Mr. KNORST: Yes.

Senator SMITH (*Queens-Shelburne*): What proportion of the present known deposits of potash in that large area is controlled by your company? Do you control everything in that vast area?

Mr. KNORST: No, not all the 200 years' supply. We have a very small proportion.

Senator LAMBERT: What deposits do you have?

Mr. KNORST: I am sorry, I do not know.

Senator LAMBERT: In the development of this potential deposit you are interested in, are you confined now to this one shaft?

Mr. KNORST: No, another shaft will be sunk, but it is what we call a convenience shaft. It will not be used for production, but for ventilation, safety purposes and for taking men and supplies up and down, leaving the other shaft just for production. To my knowledge there is no immediate plan for sinking another shaft. It cost \$40 million for one shaft, and we are going to be darned sure it is not going to cost us another \$40 million for another. They are proceeding cautiously.

Senator LAMBERT: I wonder what estimates you might have of the potential supply your organization would have now.

Mr. KNORST: Our particular supply?

Senator LAMBERT: Yes.

Mr. KNORST: My information is that there is a 200-year supply of a million tons a year production.

Senator LAMBERT: Which would be accessible to you?

Mr. KNORST: Yes.

Senator CROLL: I am just glancing at this beautiful brochure, and you say, "Miners broke through into the potash on June 8, 1962."

Mr. KNORST: Yes, this year.

Senator CROLL: That was the beginning?

Mr. KNORST: Yes.

Senator CROLL: After many years of experiment and many years of work in there, this is the beginning of your real production?

Mr. KNORST: Yes, sir.

Senator CROLL: And when you say here: "An annual contribution to Canada's balance of trade with potash exports valued at \$17 million," that relates to this mine?

Mr. KNORST: Yes.

Senator CROLL: You anticipate that will be the amount of money you will realize from production within a normal year?

Mr. KNORST: Yes, a normal year, complete production as achieved.

Senator CROLL: But you are not at that stage yet?

Mr. KNORST: No.

Senator CROLL: Am I to assume from that, that everything being normal, by June of 1963 something in the neighbourhood of \$15, \$16 or \$17 million in foreign exchange will have come into this country?

Mr. KNORST: Yes.

Senator LAMBERT: Do you think your future operations are sure, bearing in mind the pressure of water?

Mr. KNORST: No. This is the best-known method of controlling it at the present time, and we hope it will do the trick, but there is no guarantee it will. There is a guarantee engineeringwise; they say nothing will disturb this.

Senator LAMBERT: What will the uncertainty depend on?

Mr. KNORST: From a layman's point of view, if the freezing that has taken place is allowed to dissolve it will create a lot of water. They are also grouting with cement, and if the cement holds and if the contingencies we are contending with are the only things they have to contend with, it will hold. That is an example, but there is no guarantee.

Senator PATERSON: You have to encounter some of the same difficulties they had at Unity, near Saskatoon?

Mr. KNORST: Yes.

Senator PATERSON: Every effort was made to overcome the same thing up there.

Senator PEARSON: Which oil company wanted to work on potash deposits down at Moose Jaw?

Mr. KNORST: I imagine that every export producing company would be interested.

Senator PEARSON: They are a long way west of your group here now. This is a new field entirely.

Senator McKEEN: Is there any other way of mining potash? Will they handle it through quicksand here?

Mr. KNORST: My experience is that they do in Europe.

Senator McKEEN: It is successful there.

Senator BAIRD: What actually do we get out of it? Is it the labour?

Mr. KNORST: Speaking Canada-wise, there is the labour.

Senator BAIRD: Is that money not deposited in the United States?

Mr. KNORST: Probably a good portion will be, but a large portion goes to Canada, in expenses.

The CHAIRMAN: I suppose the answer is that if we did not have this product in Canada, we would have to use some of our own currency to buy it elsewhere.

Senator BAIRD: Definitely.

Senator PATERSON: I am all for competitive rates and competition between railways, being an old-timer from western Canada, and I heartily agree with the application.

Senator CONNOLLY (*Halifax North*): Did I understand the witness to say that he is only a transportation man?

Mr. KNORST: A transportation man wears many hats, but I am a transportation man.

Senator CONNOLLY (*Halifax North*): I thought it was an extremely modest statement. He is as good as any witness we have heard before the committee, and he climaxed it by smiling.

The CHAIRMAN: I am sure I am expressing the wishes of all members of the committee when I thank Mr. Knorst for his presentation.

Mr. KNORST: Thank you.

The CHAIRMAN: Does the committee wish to hear further witnesses or are we ready to go straight to the bill?

Shall section 1 carry?

Carried.

The CHAIRMAN: Shall section 2 carry?

Carried.

The CHAIRMAN: Shall the title carry?

Carried.

The CHAIRMAN: Shall the preamble carry?

Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

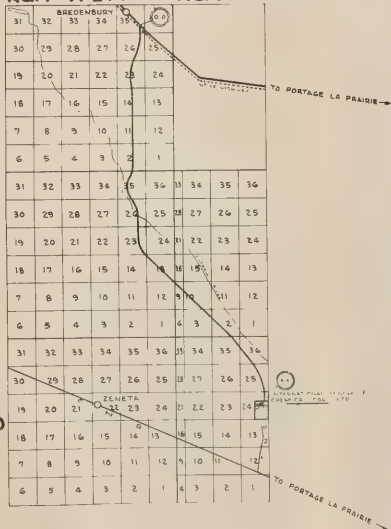
The committee adjourned.

RG. 1 W 2 M RG. 33 WPM

TWP. 22

TWP. 21

TWP. 20



CANADIAN PACIFIC RAILWAY COMPANY

SASKATOON DIVISION

PLAN OF APPROXIMATE LOCATION
OF THE
BREDENBURY SOUTHERLY BRANCH LINE

FROM
S.E. SEC. 35, TWP. 22, R.G. 1, W 2 M.
TO
N.E. SEC. 24, TWP. 20, R.G. 33, WPM

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SASKATCHEWAN

NEW LINE: —

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